CANADIAN IMPERIAL BANK OF COMMERCE /CAN/
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ETF Underlying Supplement

(To Prospectus Supplement dated November 6, 2018 and
Prospectus dated March 28, 2017)

Canadian Imperial Bank of Commerce

Notes Linked to One or More Funds

Canadian Imperial Bank of Commerce (**CIBC**) from time to time may offer and sell certain senior unsecured debt obligations (the **notes**) linked to the performance of an underlying **Reference Asset**, which will be an exchange traded fund or a trust that issues depositary receipts representing an interest in equity securities held by such trust (each, a **Fund**). A Fund may track the performance of an index (the **Underlying Index**) or basket of equity securities, or other instruments, primarily by holding securities or other instruments related to such Underlying Index or basket. The Reference Asset may also consist of a **Basket** of two or more Funds (the **Basket Components**). The notes may also be linked to the least performing of two or more Funds. The applicable free writing prospectus or pricing supplement will specify the Reference Asset to which your notes are linked, as well as specific terms of the notes.

Notwithstanding anything to the contrary set forth in the accompanying prospectus supplement for senior global medium-term notes dated November 6, 2018 (the **prospectus supplement**) and the accompanying prospectus for senior debt securities dated March 28, 2017 (the **prospectus**), this underlying supplement describes additional terms of the notes, certain risks related to the notes and the Reference Asset, and some of the Funds to which the return on the notes may be linked.

You should read the applicable free writing prospectus or pricing supplement, this underlying supplement, the prospectus supplement and the prospectus carefully before you invest in a particular issuance of the notes. If the terms described in the applicable free writing prospectus or pricing supplement are different from or inconsistent with those described herein, the terms described in the applicable free writing prospectus or pricing supplement will govern the applicable notes.

The descriptions of Funds in this underlying supplement only apply to selected Funds to which the notes may be linked. We do not guarantee that we will offer notes linked to any of the Funds described herein. In addition, we may offer notes linked to one or more Funds that are not described herein. In such an event, we will describe such additional Funds in the applicable free writing prospectus or pricing supplement, or in another underlying supplement.

The notes are unsecured obligations of CIBC and are not savings accounts or insured deposits of a bank. The notes are not insured by the U.S. Federal Deposit Insurance Corporation, the Canada Deposit Insurance Corporation, or any other government agency or instrumentality of the United States, Canada or any other jurisdiction.

Potential purchasers of the notes should consider the information in Risk Factors beginning on page S-1 of this underlying supplement, page S-1 of the accompanying prospectus supplement and page 1 of the accompanying prospectus. **You may lose some or all of your principal amount of the notes.** Any payments due on the notes, including any repayment of principal, will be subject to the credit risk of CIBC.

Neither the Securities and Exchange Commission (the **SEC**) nor any state securities commission has approved or disapproved of these notes or determined if this document, the prospectus, the prospectus supplement or any free writing prospectus or pricing supplement is truthful or complete. Any representation to the contrary is a criminal offense.

Unless otherwise specified in the applicable free writing prospectus or pricing supplement, the notes will not be listed on a securities exchange or quotation system.

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In making your investment decision, you should rely only on the information contained or incorporated by reference in the applicable free writing prospectus or pricing supplement, this underlying supplement, any related underlying supplement, the prospectus supplement and prospectus. The information in the applicable free writing prospectus or pricing supplement and any related underlying supplement, including this underlying supplement, may only be accurate as of the dates of each of these documents, respectively. Certain capitalized terms used and not defined in this underlying supplement have the meanings ascribed to them in the prospectus supplement and prospectus.

The notes described in the applicable free writing prospectus or pricing supplement and this underlying supplement are not appropriate for all investors, and involve important legal and tax consequences and investment risks, which should be discussed with your professional advisers. The applicable free writing prospectus or pricing supplement, any related underlying supplement, including this underlying supplement, and the accompanying prospectus supplement and prospectus do not constitute an offer to sell or a solicitation of an offer to buy the notes in any circumstances in which such offer or solicitation is unlawful.

In this underlying supplement, the Bank, CIBC, we, us and our refer to Canadian Imperial Bank of Commerce, unless the context requires otherwise.

None of CIBC, the agents, or any of our respective affiliates accepts any responsibility for the calculation, maintenance or publication of the Funds described herein, any Successor Funds (as defined herein) or any Underlying Index.

RISK FACTORS

Your investment in the notes will involve certain risks, many of which differ from those of a conventional debt security. We urge you to read the section Risk Factors beginning on page S-1 of the prospectus supplement, in any related underlying supplement, and in the applicable free writing prospectus or pricing supplement in addition to the following risk factors relevant to your notes. Investing in the notes is not equivalent to investing directly in any Fund or any of its underlying assets. You should understand the risks of investing in the notes and should reach an investment decision only after careful consideration, with your advisers, of the suitability of the notes in light of your particular financial circumstances and the information set forth in this underlying supplement, the applicable free writing prospectus or pricing supplement, any other relevant underlying supplement and the accompanying prospectus supplement and prospectus. You should not purchase the notes unless you understand and can bear these investment risks.

General Risks Related to the Notes

Your investment in the notes may result in a loss.

Unless otherwise specified in the applicable free writing prospectus or pricing supplement, you may lose your entire investment in the notes, and there can be no assurance of the receipt of any amount at maturity.

Your return on the notes may be less than the return on a conventional debt security of comparable maturity.

The return on your notes, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you would earn if you bought a conventional senior interest bearing debt security of the Bank with the same maturity date. Your investment in the notes may not reflect the full opportunity cost to you when you take into account factors that affect the time value of money, such as inflation.

Your investment is subject to our credit risk.

The notes are our senior unsecured debt obligations and are not, either directly or indirectly, an obligation of any third party. As further described in the accompanying prospectus and prospectus supplement, the notes will rank on par with all of our other unsecured and unsubordinated debt obligations, except such obligations as may be preferred by operation of law. Any payment to be made on the notes depends on our ability to satisfy our obligations as they come due. As a result, the actual and perceived creditworthiness of us may affect the market value of the notes and, in the event we were to default on our obligations, you may not receive the amounts owed to you under the terms of the notes. If we default on our obligations under the notes, your investment would be at risk and you could lose some or all of your investment. See Description of the Notes We May Offer Events of Default in the accompanying prospectus supplement.

The notes are not insured by any third parties.

The notes will be solely our obligations. Neither the notes nor your investment in the notes are insured by the U.S. Federal Deposit Insurance Corporation, the Canada Deposit Insurance Corporation, or any other government agency or instrumentality of the United States, Canada or any other jurisdiction.

The Bank s initial estimated value of the notes will be lower than the initial issue price (price to public) of the notes.

The initial issue price of the notes will exceed the Bank s initial estimated value because costs associated with selling and structuring the notes, as well as hedging the notes, are included in the initial issue price of the notes.

The Bank s initial estimated value does not represent future values of the notes and may differ from others estimates.

The Bank s initial estimated value of the notes is only an estimate, which will be determined by reference to the Bank s internal pricing models when the terms of the notes are set. This estimated value will be based on market conditions and other relevant factors existing at that time, the Bank s internal funding rate on the pricing date and the Bank s assumptions about market parameters, which can include volatility, dividend rates, interest rates and other factors. Different pricing models and assumptions could provide valuations for the notes that are greater or less than the Bank s initial estimated value. In addition, market conditions and other relevant factors in the future may change, and any assumptions may prove to be incorrect. On future dates, the market value of the notes could change significantly based on, among other things, changes in market conditions, including the value of the Reference Asset, the Bank s creditworthiness, interest rate movements and other relevant factors, which may impact the price at which the agent or any other party would be willing to buy the notes from you in any secondary market transactions. The Bank s initial estimated value does not represent a minimum price at which the agent or any other party would be willing to buy the notes in any secondary market (if any exists) at any time.

The Bank s initial estimated value of the notes will not be determined by reference to credit spreads for our conventional fixed-rate debt.

The internal funding rate to be used in the determination of the Bank s initial estimated value of the notes generally represents a discount from the credit spreads for our conventional fixed-rate debt. The discount is based on, among other things, our view of the funding value of the notes as well as the higher issuance, operational and ongoing liability management costs of the notes in comparison to those costs for our conventional fixed-rate debt. If the Bank were to use the interest rate implied by our conventional

fixed-rate debt, we would expect the economic terms of the notes to be more favorable to you. Consequently, our use of an internal funding rate for market-linked notes would have an adverse effect on the economic terms of the notes, the initial estimated value of the notes on the pricing date, and any secondary market prices of the notes.

The payment on the notes will not reflect changes in the value of the Reference Asset at any time other than the relevant Valuation Date.

Changes in the value of the Reference Asset during the term of notes other than on the relevant Valuation Date (as defined below) will not be reflected in the calculation of the payment on the notes. The payment on the notes will be based on the value of the Reference Asset on the relevant Valuation Date (subject to adjustments as described herein, including those described under Certain Terms of the Notes Valuation Dates). As a result, even if the value of the Reference Asset has increased at certain times during the term of the notes, the payment on the notes may be significantly less than it would otherwise have been had the payment been linked to the value of the Reference Asset other than on the relevant Valuation Date.

The notes will not be listed on any securities exchange or quotation system, and there may be no secondary market for the notes.

The notes are most suitable for purchasing and holding to maturity or an automatic call, if applicable. The notes will be new securities for which there is no trading market. The notes will not be listed on any organized securities exchange or any inter-dealer quotation system. We cannot assure you as to whether there will be a trading or secondary market for the notes or, if there were to be such a trading or secondary market, that it would be liquid.

Under ordinary market conditions, the agent or any of its affiliates may (but are not obligated to) make a secondary market for the notes and may cease doing so at any time. Because we do not expect other broker-dealers to participate in the secondary market for the notes, the price at which you may be able to trade your notes is likely to depend on the price, if any, at which the agent or any of its affiliates is willing to transact. If none of the agent or any of its affiliates makes a market for the notes, there will not be a secondary market for the notes. Accordingly, we cannot assure you as to the development or liquidity of any secondary market for the notes. If a secondary market in the notes is not developed or maintained, you may not be able to sell your notes easily or at prices that will provide you with a yield comparable to that of similar securities that have a liquid secondary market.

If the value of the Reference Asset changes, the market value of your notes may not change in the same manner.

Your notes may trade quite differently from the performance of the Reference Asset. Changes in the value of the Reference Asset may not result in a comparable change in the market value of your notes. See The market value of the notes will be affected by various factors that interrelate in complex ways, and their market value may be less than the principal amount below.

The market value of the notes will be affected by various factors that interrelate in complex ways, and their market value may be less than the principal amount.

The notes are not designed to be short-term trading instruments. Unless otherwise specified in the applicable free writing prospectus or pricing supplement, you will have no right to have your notes redeemed at your option prior to maturity. If you wish to liquidate your investment in notes prior to maturity, your only option would be to sell them. At that time, there may be an illiquid market for your notes or no market at all. Even if you were able to sell your notes, the price at which the notes may be sold prior to maturity will depend on a number of factors. Some of these factors include, but are not limited to: (i) actual or anticipated changes in the price of a Fund over the term of the notes, (ii) volatility of the price of a Fund and the market s perception of future volatility of the price of a Fund, (iii) economic and other conditions generally, (iv) changes in interest rates generally, (v) dividend or other distribution yields on securities held by a Fund, (vi) any actual or anticipated changes in our credit ratings or credit spreads, and (vii) time remaining to maturity.

We will not hold any shares of a Fund for your benefit.

The indenture and the terms governing your notes do not contain any obligation on us or our affiliates to hedge, or any restriction on our ability or the ability of any of our affiliates to sell, pledge or otherwise convey all or any portion of the shares of a Fund that we or they may acquire. There can be no assurance that any hedging transaction we or our affiliates may undertake with respect to our exposure under the notes will be successful or will be maintained over the term of the notes. Neither we nor our affiliates will pledge or otherwise hold any assets for your benefit, including any shares of a Fund. Consequently, in the event of our bankruptcy, insolvency or liquidation, any of those assets that we own will be subject to the claims of our creditors generally and will not be available for your benefit specifically.

You must rely on your own evaluation of the merits of an investment linked to the Reference Asset.

We, the agents, and our respective affiliates, at the time of any offering of the notes or in the future, may engage in business with any Fund or any company that has securities held by a Fund, including making loans to, equity investments in, or providing investment banking, asset management, or other services to those companies, their affiliates, and their competitors. In connection with these activities, we, the agents, and our respective affiliates may receive information about those companies that we will not divulge to you or other third parties.

In addition, we, the agents, or our respective affiliates have published, and in the future may publish, research reports on any Fund, any Underlying Index or any of their respective underlying assets. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with your interest as a holder of the notes. Any of these

activities may adversely affect the market value of the notes. Any prospective purchaser of the notes should undertake an independent investigation of the Reference Asset as in its judgment is appropriate to make an informed decision regarding an investment in the notes. The selection of a Fund as the Reference Asset does not reflect any investment recommendations from us.

Certain business, trading and hedging activities of us, the agents, and our respective affiliates may create conflicts with your interests and could potentially adversely affect the value of the notes.

We, the agents, and our respective affiliates may engage in trading and other business activities related to a Fund or any of its underlying assets that are not for your account or on your behalf. We, the agents, and our respective affiliates also may issue or underwrite other financial instruments with returns based upon a Fund. These activities may present a conflict of interest between your interest in the notes and the interests that we, the agents, and our respective affiliates may have in our or their proprietary accounts, in facilitating transactions, including block trades, for our or their other customers, and in accounts under our or their management. These trading and other business activities, if they influence the value of the Reference Asset or secondary trading in your notes, could be adverse to your interests as a beneficial owner of the notes.

Moreover, we and our affiliates play a variety of roles in connection with the issuance of the notes, including hedging our obligations under the notes and making the assumptions and inputs used to determine the pricing of the notes and the initial estimated value of the notes when the terms of the notes are set. We expect to hedge our obligations under the notes through the agents, one of our or their affiliates, and/or another unaffiliated counterparty. Any of these hedging activities may adversely affect the value of the Reference Asset and therefore the market value of the notes and the amount you will receive, if any, on the notes. In connection with such activities, the economic interests of us, the agents, and our respective affiliates may be adverse to your interests as an investor in the notes. Any of these activities may adversely affect the value of the notes. In addition, because hedging our obligations entails risk and may be influenced by market forces beyond our control, this hedging activity may result in a profit that is more or less than expected, or it may result in a loss. We, the agents, or one or more of our respective affiliates will retain any profits realized in hedging our obligations under the notes even if investors do not receive a favorable investment return under the terms of the notes or in any secondary market transaction. Any profit in connection with such hedging activities will be in addition to any other compensation that we, the agents, and our respective affiliates receive for the sale of the notes, which creates an additional incentive to sell the notes to you. We, the agents, and our respective affiliates will have no obligation to take, refrain from taking or cease taking any action with respect to these transactions based on the potential effect on an investor in the notes.

There are potential conflicts of interest between you and the calculation agent.

The calculation agent will determine, among other things, the amount of your payment on the notes. Unless otherwise specified in the applicable free writing prospectus or pricing supplement, we will serve as the calculation agent. We may change the calculation agent after the original issue date without notice to you. The calculation agent will exercise its judgment when performing its functions. For example, the calculation agent will determine whether a Market Disruption Event (as defined below) affecting a Fund has occurred, make a good faith estimate in its sole discretion of the Closing Price for a Fund if the relevant Valuation Date is postponed to the last possible day, and make certain anti-dilution adjustments with respect to a Fund if certain events occur. See Certain Terms of the Notes Valuation Dates and Anti-Dilution Adjustments below. This determination may, in turn, depend on the calculation agent s judgment as to whether the event has materially interfered with our ability or the ability of one of our affiliates to unwind our hedge positions. The calculation agent will be required to carry out its duties in good

faith and use its reasonable judgment. However, because we are expected to be the calculation agent, potential conflicts of interest could arise. Neither we nor any of our affiliates will have any obligation to consider your interests as a holder of the notes in taking any action that might affect the value of your notes.

The calculation agent can postpone the determination of the Closing Price of a Fund if a Market Disruption Event occurs.

If the calculation agent determines that a Market Disruption Event has occurred or is continuing on any scheduled Valuation Date with respect to a Fund, the applicable Valuation Date for that Fund will be postponed. See Certain Terms of the Notes Valuation Dates below. If the scheduled Final Valuation Date is postponed because a Market Disruption Event occurs or is continuing on that day with respect to a Fund, the maturity date for the notes will also be postponed. No interest will accrue as a result of a delayed payment.

General Risks Related to Funds

As a holder of the notes, you will not have any ownership interest or rights in any Fund or any of its underlying assets.

The notes are our debt securities. They are not equity instruments, shares of stock, or securities of any other issuer. Unless otherwise specified in the applicable free writing prospectus or pricing supplement, your notes will be paid in cash and you have no right to receive shares of any Fund or any of its underlying assets. As a holder of the notes, you will not have any ownership interest or rights in any Fund or any of its underlying assets, such as voting rights or rights to receive dividends or other distributions. As a result, the return on your notes may not reflect the return you would realize if you actually owned shares of a Fund or its underlying assets and received the dividends paid or other distributions made in connection with them, and the return on your notes may be less than a comparable investment directly in a Fund or its underlying assets.

A Reference Sponsor may adjust a Fund or an Underlying Index in a way that affects its value, and it has no obligation to consider your interests.

Unless otherwise specified in the applicable free writing prospectus or pricing supplement, we, the agents and our respective

affiliates have no affiliation with any sponsor, publisher, or investment adviser of a Fund or an Underlying Index (each, a Reference Sponsor). Consequently, we have no control over the actions of any Reference Sponsor. A Reference Sponsor can change the investment policies of the applicable Fund or the policies concerning the calculation of the applicable Fund s net asset value, or add, delete, or substitute the underlying assets held by the Fund or the components included in an Underlying Index, as the case may be, or make other methodological changes that could change the value of that Fund or Underlying Index. Additionally, a Reference Sponsor may alter, discontinue, or suspend calculation or dissemination of its Fund, the net asset value of its Fund, or the Underlying Index. Any of these actions could adversely affect the return on your notes. This could also result in the early redemption of your notes. A Reference Sponsor will have no obligation to consider your interests in calculating or revising any Fund or Underlying Index.

We, the agents and our respective affiliates are not affiliated with any of the Reference Sponsors.

Unless otherwise specified in the applicable free writing prospectus or pricing supplement, we, the agents and our respective affiliates are not affiliated with any of the Reference Sponsors. We have not made any independent investigation as to the adequacy or completeness of the information about any Fund contained herein or in any free writing prospectus or pricing supplement. You should make your own investigation into the relevant Fund and the Reference Sponsors. We are not responsible for any Fund s public disclosure of information, whether contained in SEC filings or otherwise. We do not make any representation that any publicly available document or any other publicly available information about any Fund is accurate or complete. Furthermore, we do not know whether all events occurring before the date of the applicable free writing prospectus or pricing supplement, including events that would affect the accuracy or completeness of the publicly available documents referred to above, have been publicly disclosed. Subsequent disclosure of any events of this kind or the disclosure of or failure to disclose material future events concerning a Fund could affect the value of the notes.

Risks associated with the applicable Underlying Index or underlying assets of a Fund will affect the price of that Fund and hence the value of the notes.

Exchange traded funds are funds which may hold a variety of underlying assets, including stocks, bonds, commodities or derivative instruments, and whose performance may be designed to track the performance of an Underlying Index. While the notes are linked to a Fund and not to its underlying assets or Underlying Index, risks associated with its underlying assets or Underlying Index will affect the share price of that Fund and hence the value of the notes.

There will be limited anti-dilution adjustments.

For certain events affecting shares of a Fund, such as stock splits or extraordinary dividends, the calculation agent will make such calculations and adjustments to the terms of the notes as may be necessary in order to account for the economic effect of such event, including making adjustments to the price of that Fund. However, the calculation agent is not required to make an adjustment for every corporate action which affects the shares of a Fund. If an event occurs that does not require the calculation agent to make any adjustment, the market price of the notes and the value of the notes may be materially and adversely affected.

In some circumstances, the payment you receive on the notes may be based on the shares of another Fund or other property and not the original Fund.

Following certain corporate events relating to a Fund where such Fund is not the surviving entity, the amount due on the notes may be based on the performance of the shares of a Successor Fund or other property. The occurrence of these corporate events and the consequent adjustments may materially and adversely affect the value of the notes. For more information, see Certain Terms of the Notes Anti-Dilution Adjustments below.

The historical performance of a Fund should not be taken as an indication of its future performance.

The price of a Fund will determine the amount to be paid on the notes. The historical performance of a Fund does not necessarily give an indication of its future performance. As a result, it is impossible to predict whether the price of a Fund will rise or fall during the term of the notes. The price of a Fund will be influenced by complex and interrelated political, economic, financial and other factors.

The performance of a Fund may not correlate with the performance of its Underlying Index as well as the net asset value per share of the Fund, especially during periods of market volatility.

If a Fund is designed to track the performance of an Underlying Index, the performance of the Fund and that of its Underlying Index generally will vary due to, for example, transaction costs, management fees, certain corporate actions, and timing variances. Moreover, it is also possible that the performance of a Fund may not fully replicate or may, in certain circumstances, diverge significantly from the performance of its Underlying Index. This could be due to, for example, the Fund not holding all or substantially all of the underlying assets included in the Underlying Index and/or holding assets that are not included in the Underlying Index, the temporary unavailability of certain securities in the secondary market, the performance of any derivative instruments held by the Fund, differences in trading hours between the Fund (or the underlying assets held by the Fund) and the Underlying Index, or due to other circumstances. This variation in performance is called the tracking error, and, at times, the tracking error may be significant.

In addition, because the shares of a Fund are traded on a securities exchange and are subject to market supply and investor demand, the market price of one share of the Fund may differ from its net asset value per share; shares of the Fund may trade at, above, or

below its net asset value per share.

During periods of market volatility, securities held by a Fund may be unavailable in the secondary market, market participants may be unable to calculate accurately the net asset value per share of the Fund and the liquidity of the Fund may be adversely affected. This kind of market volatility may also disrupt the ability of market participants to create and redeem shares of the Fund. Further, market volatility may adversely affect, sometimes materially, the prices at which market participants are willing to buy and sell shares of the Fund. As a result, under these circumstances, the market value of shares of the Fund may vary substantially from the net asset value per share of the Fund.

For the foregoing reasons, the performance of a Fund may not match the performance of its Underlying Index over the same period. Because of this variance, the return on the notes, to the extent dependent on the performance of the Fund, may not be the same as an investment directly in the securities, commodities, or other assets included in the Underlying Index or the same as a debt security with a return linked to the performance of the Underlying Index.

Funds are subject to management risk.

Funds are not managed according to traditional methods of active investment management, which involve the buying and selling of securities based on economic, financial and market analysis and investment judgment. Instead, Funds, utilizing a passive or indexing investment approach, attempt to approximate the investment performance of their respective underlying indices by investing in a portfolio of securities that generally replicate the respective Underlying Index. Therefore, unless a specific security is removed from the respective Underlying Index, a Fund generally would not sell a security because the security s issuer was in financial trouble. In addition, a Fund is subject to the risk that the investment strategy of the Fund s investment advisor may not produce the intended results.

Funds are subject to liquidity risk.

Although shares of a Fund will be listed for trading on a securities exchange and a number of similar products have been traded on various exchanges for varying periods of time, there is no assurance that an active trading market will continue for the shares of any Fund or that there will be liquidity in the trading market.

Additional Risks Relating to Certain Notes With More Than One Fund Comprising the Reference Asset

The Funds comprising the Reference Asset may not move in tandem, and an increase in the price of one Basket Component may be offset by lower performance of one or more of the other Basket Components.

Changes in the prices of one or more of the Basket Components may not correlate with changes in the prices of one or more of the other Basket Components. The prices of one or more Basket Components may increase, while the prices of one or more of the other Basket Components may decrease or not increase as much. Therefore, in calculating the value of the Basket at any time, increases in the price of one Basket Component may be moderated or wholly offset by decreases or lesser increases in the prices of one or more of the other Basket Components. If the

weightings of the applicable Basket Components are not equal, adverse changes in the prices of the Basket Components which are more heavily weighted could have a greater impact upon your notes.

Risks Relating to Commodity-Based Funds

The prices of commodities held by a Fund may change unpredictably, affecting the value of your notes in unforeseeable ways.

Trading in commodities and futures contracts is speculative and can be extremely volatile. Their market prices may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships; weather; trends in agriculture; trade, fiscal, monetary and exchange control programs; domestic and foreign political and economic events and policies; disease, pestilence and technological developments; changes in interest rates, whether through governmental action or market movements; currency exchange rates; volatility from speculative activities; the development, availability and/or decrease in price of substitutes; monetary and other governmental policies, action and inaction; macroeconomic or geopolitical and military events, including political instability in some oil-producing countries or other countries in which the production of particular commodities may be concentrated; and natural or nuclear disasters. These factors may affect the value of a Fund in varying ways, and different factors may cause the levels and volatilities of commodity prices to move in inconsistent directions at inconsistent rates. Additionally, certain Funds may be concentrated in only a few, or even a single industry (e.g., energy). These Funds are likely to be more volatile than those that hold a broad base of commodities.

If the liquidity of the components of any Fund is limited, the value of the notes may be adversely affected.

Commodities and derivatives contracts on commodities may be difficult to buy or sell, particularly during adverse market conditions. Reduced liquidity on a Valuation Date would likely have an adverse effect on the value of any such Fund and, therefore, on the return, if any, on your notes. Limited liquidity relating to the components of a Fund may also result in the Reference Sponsor being unable to determine the value of its Fund using its normal means. The resulting discretion by the Reference Sponsor of a Fund in determining the value could adversely affect the value of the notes.

Suspension or disruptions of market trading in the applicable commodities and related futures contracts may adversely affect the value of your notes.

The commodity markets are subject to disruptions due to various factors, including the lack of liquidity in the markets, the

participation of speculators, and government regulation and intervention. In addition, U.S. futures exchanges and some foreign exchanges have regulations that limit the amount of fluctuation in futures contract prices that may occur during a single Trading Day (as defined below). These limits are generally referred to as daily price fluctuation limits, and the maximum or minimum price of a contract on any given day as a result of these limits is referred to as a limit price. Once the limit price has been reached in a particular contract, no trades may be made at a different price. Limit prices have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices. Any such disruption, or any other force majeure (such as an act of God, fire, flood, severe weather conditions, act of governmental authority, labor difficulty, etc.) could have an adverse effect on the value of or trading in shares of the applicable Fund and, therefore, the value of the notes.

Legal and regulatory changes could adversely affect the return on and value of your notes.

The value of the commodities held by a Fund could be adversely affected by new laws or regulations or by the reinterpretation of existing laws or regulations (including, without limitation, those related to taxes and duties on commodities and futures contracts) by one or more governments, courts, or other official bodies.

In the U.S., the regulation of commodity transactions is subject to ongoing modification by governmental action. For example, the U.S. Commodity Futures Trading Commission (**CFTC**) has interpreted the Dodd-Frank Wall Street Reform and Consumer Protection Act (**Dodd-Frank**), which was enacted in July 2010, to require the CFTC to impose limits on the size of positions that can be held by market participants in futures contracts and OTC derivatives on certain physical commodities. The CFTC s rules providing for such position limits have been, and may in the future be, subject to litigation challenging their validity, the potential final outcome of which cannot be known at this time. While the ultimate scope and effect of any final and implemented position limit rules are not yet known, these limits will likely restrict the ability of many market participants to trade in the commodities markets to the same extent as they have in the past, including affecting their ability to enter into or maintain hedge positions in the applicable commodity or futures contracts. These rules and various other legislative and regulatory requirements may, among other things, reduce liquidity, increase market volatility, and increase costs in these markets. These consequences could adversely affect the applicable Fund and the value of your notes.

In addition, other governmental or regulatory bodies (such as the European Commission) have proposed or may propose in the future legislation or regulations containing restrictions similar to those contemplated by Dodd-Frank, or other legislation or regulations containing other restrictions that could adversely impact the liquidity of and increase costs of participating in the commodities markets. If such legislation or regulations are adopted or other legislation or regulations are adopted in the future, they could have an adverse effect on the value of the applicable Fund and your notes.

The notes will not be regulated by the CFTC.

Unlike an investment in the notes, an investment in a collective investment vehicle that invests in futures contracts on behalf of its participants may be regulated as a commodity pool and its operator may be required to be registered with and regulated by the CFTC as a commodity pool operator (a **CPO**). Because the notes will not be interests in a commodity pool, the notes will not be regulated by the CFTC as a commodity pool. Further, we will not be registered with the CFTC as a CPO, and you will not benefit from the CFTC s or any non-U.S. regulatory authority s regulatory protections afforded to persons who trade in futures contracts or who invest in regulated commodity pools. The notes will not constitute investments by you or by us on your behalf in futures contracts traded on regulated futures exchanges, which may only be transacted through a person registered with the CFTC as a futures commission merchant (**FCM**). We are not registered with the CFTC as an FCM and you will not benefit from the CFTC s or any other non-U.S. regulatory authority s regulatory protections afforded to persons who trade in futures contracts on a regulated futures exchange through a registered FCM.

A Fund may include commodities or futures contracts traded on foreign exchanges that are less regulated than U.S. markets and may involve different and greater risks than trading on U.S. exchanges.

A Fund may own commodities or futures contracts that trade on exchanges located outside the U.S. The regulations of the CFTC do not apply to trading on foreign exchanges, and trading on foreign exchanges may involve different and greater risks than trading on U.S. exchanges. Certain foreign markets may be more susceptible to disruption than U.S. exchanges due to the lack of a government-regulated clearinghouse system. Trading on foreign exchanges also involves certain other risks that are not applicable to trading on U.S. exchanges. Those risks include (a) exchange rate risk relative to the U.S. dollar; (b) exchange controls; (c) expropriation; (d) burdensome or confiscatory taxation; and (e) moratoriums, and political or diplomatic events. It may also be more costly and difficult for participants in those markets to enforce the laws or regulations of a foreign country or exchange, and it is possible that the foreign country or exchange may not have laws or regulations which adequately protect the rights and interests of investors in the relevant commodities or contracts. These factors could reduce the price of the applicable Fund and the value of your notes.

If the Reference Asset Is or Includes the iShares® China Large-Cap ETF, the iShares® Latin America 40 ETF, the iShares® MSCI Brazil ETF, the iShares® MSCI EAFE ETF, the iShares® MSCI Emerging Markets ETF, the iShares® MSCI Mexico Capped ETF, the Vanguard® FTSE Emerging Markets ETF or the WisdomTree® Japan Hedged Equity Fund, or Otherwise Includes a Fund That Holds Foreign Securities:

The notes will be subject to risks associated with non-U.S. companies.

An investment in securities linked to the price of a Fund that holds the common stocks of non-U.S. companies involves risks

associated with the home countries of such non-U.S. companies. The prices of such non-U.S. companies common stocks may be affected by political, economic, financial and social factors in the home country of each such non-U.S. company, including changes in such country s government, economic and fiscal policies, currency exchange laws or other laws or restrictions, which could adversely affect the value of the notes.

The foreign securities held by a Fund may have less liquidity and could be more volatile than the securities traded in U.S. or other longer-established securities markets. Direct or indirect government intervention to stabilize the relevant foreign securities markets, as well as cross shareholdings in foreign companies, may adversely affect trading levels or prices and volumes in those markets. The other special risks associated with foreign securities may include, but are not limited to: less liquidity and smaller market capitalizations; less rigorous regulation of securities markets; different accounting and disclosure standards; governmental interference; currency fluctuations; higher inflation; and social, economic and political uncertainties.

These factors may adversely affect the performance of the Fund and, as a result, the value of the notes.

Time differences between the domestic and foreign markets and New York City may create discrepancies between the prices of the securities held by a Fund and the value of the notes.

Time differences between the domestic and foreign markets may result in discrepancies between the prices of the securities held by a Fund and the value of the notes. To the extent that U.S. markets are closed while markets for the securities held by a Fund remain open, significant price or rate movements of these securities may take place that will not be reflected immediately in the value of the notes. In addition, there may be periods when the relevant foreign markets are closed for trading, causing the price of the Fund to remain unchanged for multiple Trading Days in New York City.

The notes will be subject to currency exchange risk.

The prices of the securities held by the relevant Fund will be converted into U.S. dollars for purposes of calculating the net asset value of such Fund. As a result, your notes will be exposed to currency exchange rate risk with respect to each of the currencies in which the equity securities held by such Fund trade. Your net exposure will depend on the extent to which such currencies strengthen or weaken against the U.S. dollar and the relative weight of the equity securities held by such Fund denominated in each such currency. If, taking into account such weighting, the U.S. dollar strengthens against such currencies, the price of such Fund will be adversely affected and, depending on the terms of your notes, the return on the notes, if any, may be reduced.

Of particular importance to potential currency exchange risk are:

the volatility of the exchange rate between the U.S. dollar and relevant currencies in which the stocks or other securities held by the relevant Fund are denominated;

existing and expected rates of inflation;

existing and expected interest rate levels;

the balance of payments in the relative countries and between each country and its major trading partners; and

the extent of governmental surpluses or deficits in the component countries and the United States.

All of these factors are in turn sensitive to the monetary, fiscal and trade policies pursued by the governments of various component countries and the United States and other countries important to international trade and finance.

If the Reference Asset Is or Includes the iShares® China Large-Cap ETF, iShares® Latin America 40 ETF, the iShares® MSCI Brazil ETF, the iShares® MSCI Emerging Markets ETF, the iShares® MSCI Mexico Capped ETF or the Vanguard® FTSE Emerging Markets ETF, or Otherwise Includes a Fund That Holds Foreign Securities Related to Emerging Markets:

There are risks associated with emerging markets.

An investment in the notes will involve risks that are associated with investments that are linked to the equity securities of issuers from emerging markets. Many of the issuers included in the relevant Underlying Index are based in nations that are undergoing rapid institutional change, including the restructuring of economic, political, financial and legal systems. The regulatory and tax environments in these nations may be subject to change without review or appeal and many emerging markets suffer from underdevelopment of their capital markets and their tax systems. In addition, in some of these nations, issuers of the relevant securities face the threat of expropriation of their assets and/or nationalization of their businesses. It may be more difficult for an investor in these markets to monitor investments in these companies, because these companies may be subject to fewer disclosure requirements than companies in developed markets, and economic and financial data about some of these countries may be unreliable.

If the Reference Asset Is or Includes the iShares® China Large-Cap ETF or the Vanguard® FTSE Emerging Markets ETF, or Otherwise Includes a Fund That Changes to a New Underlying Index or the Underlying Index of Which Has Had Material Changes:

If a Fund s Underlying Index has transitioned to a new Underlying Index or had material changes, it will limit the utility of available information about the performance of that Fund.

If a Fund s Underlying Index has transitioned to a new Underlying Index or had material changes, the historical performance of

that Fund may be of limited use in evaluating the Fund s past performance, as there is limited historical information available to reflect the Fund s tracking of the new Underlying Index. The Fund s new Underlying Index could provide different investment returns (either lower or higher) or different levels of volatility than those of the former Underlying Index over any period of time.

If the Reference Asset Is or Includes a Fund That Holds Securities in the Same Industry:

There are risks associated with an investment in a concentrated industry.

The securities held by the relevant Fund are issued by companies that are in the same industry. Therefore, an investment in the notes may carry risks similar to a concentrated securities investment in a single industry. Consequently, the value of the notes may be subject to greater volatility and be more adversely affected by a single economic, environmental, political or regulatory occurrence affecting this industry than an investment linked to a more broadly diversified group of issuers.

If the Reference Asset Is or Includes the VanEck Vectors® Gold Miners ETF or Otherwise Includes a Fund That Holds Securities Related to the Gold Mining Industry:

There are risks associated with the gold mining industry.

Because the Fund primarily invests in stocks and American depositary receipts (ADRs) of companies that are involved in the gold mining industry, it is subject to certain risks associated with such companies. Competitive pressures may have a significant effect on the financial condition of such companies in the gold mining industry. Also, gold mining companies are highly dependent on the price of gold bullion. These prices may fluctuate substantially over short periods of time so the price of the Fund may be more volatile than other types of investments. Factors affecting gold prices include economic factors, including, among other things, the structure of and confidence in the global monetary system, expectations of the future rate of inflation, the relative strength of, and confidence in, the U.S. dollar (the currency in which the price of gold is generally quoted), interest rates and gold borrowing and lending rates, and global or regional economic, financial, political, regulatory, judicial or other events. Gold prices may also be affected by industry factors such as industrial and jewelry demand, lending, sales and purchases of gold by the official sector, including central banks and other governmental agencies and multilateral institutions which hold gold, levels of gold production and production costs, and short-term changes in supply and demand because of trading activities in the gold market. These factors could adversely affect the price of the Fund during the term of the notes, which may adversely affect the value of your notes.

If the Reference Asset Is or Includes the iShares® U.S. Real Estate ETF, the VanEck Vectors® Gold Miners ETF or the WisdomTree® Japan Hedged Equity Fund or Otherwise Includes a Fund That Holds Securities of Small and Mid-Capitalization Companies:

The notes will be subject to small-capitalization or mid-capitalization companies risk.

The Fund may invest in companies that may be considered small-capitalization or mid-capitalization companies. These companies often have greater stock price volatility, lower trading volume and less liquidity than large-capitalization companies and therefore the respective Fund s share price may be more volatile than an investment in stocks issued by large-capitalization companies. Stock prices of small-capitalization or mid-capitalization companies are also more vulnerable than those of large-capitalization companies to adverse business and economic developments, and the stocks of small-capitalization or mid-capitalization companies may be thinly traded, making it difficult for the relevant Fund to buy and sell them. In addition, small-capitalization or mid-capitalization companies are typically less stable financially than large-capitalization companies and may depend on a small number of key personnel, making them more vulnerable to loss of personnel. Small-capitalization or mid-capitalization companies are often subject to less analyst coverage and may be in early, and less predictable, periods of their corporate existences. Such companies tend to have smaller revenues, less diverse product lines, smaller shares of their product or service markets, fewer financial resources and less competitive strengths than large-capitalization companies and are more susceptible to adverse developments related to their products. These factors could adversely affect the price of the Fund during the term of the notes, which may adversely affect the value of your notes.

If the Reference Asset Is or Includes the iShares® U.S. Real Estate ETF, or Otherwise Includes a Fund That Holds Securities Related to the Real Estate Industry:

Risks associated with real estate investment.

The real estate industry is cyclical and has from time to time experienced significant difficulties. Real estate is highly sensitive to general and local economic conditions and developments and is characterized by intense competition and periodic overbuilding. Many real estate companies, including real estate investment trusts (REITs), utilize leverage (and some may be highly leveraged), which increases investment risk and the risk normally associated with debt financing, and could potentially magnify the Fund s losses. The U.S. residential and commercial real estate markets may, in the future, experience and have, in the past, experienced a decline in value, with certain regions experiencing significant losses in property values. Rising interest rates could result in higher costs of capital for real estate companies, which could negatively affect a real estate company s ability to meet its payment obligations or its financing activity, and could decrease the market prices for REITs and for properties held by these REITs. Specific risks especially relevant to investment in the real estate sector include concentration risk, equity REIT risk, interest rate risk, leverage risk, liquidity risk, operational risk, property risk, regulatory risk, repayment risk and U.S. tax risk. In addition, the real estate industry and REITs are significantly affected by a number of factors in general and local economic conditions as well as real estate markets. These factors could affect the real estate sector and could affect the value of the equity securities held by the

Fund and the price of that Fund during the term of the notes, which may adversely affect the value of your notes.

If the Reference Asset Is or Includes the Financial Select Sector SPDR® Fund or Otherwise Includes a Fund That Holds Securities Related to the Financial Industry:

Risks associated with the financial sector.

The Fund invests in financial services companies, which are subject to extensive government regulation, which may limit both the amounts and types of loans and other financial commitments they can make, the interest rates and fees they can charge, the scope of their activities, the prices they can charge and the amount of capital they must maintain. Profitability is largely dependent on the availability and cost of capital funds and can fluctuate significantly when interest rates change or due to increased competition. In addition, deterioration of the credit markets generally may cause an adverse impact in a broad range of markets, including U.S. and international credit and interbank money markets generally, thereby affecting a wide range of financial institutions and markets. Certain events in the financial sector may cause an unusually high degree of volatility in the financial markets, both domestic and foreign, and cause certain financial services companies to incur large losses. Securities of financial services companies may experience a dramatic decline in value when these companies experience substantial declines in the valuations of their assets, take action to raise capital (such as the issuance of debt or equity securities), or cease operations. Credit losses resulting from financial difficulties of borrowers and financial losses associated with investment activities can negatively impact the financial sector. Insurance companies may be subject to severe price competition. Adverse economic, business or political developments could adversely affect financial institutions engaged in mortgage finance or other lending or investing activities directly or indirectly connected to the value of real estate. These factors could affect the financial sector and could affect the value of the equity securities held by the Fund and the price of the Fund during the term of the notes, which may adversely affect the value of your notes.

If the Reference Asset Is or Includes the iShares® Transportation Average ETF or Otherwise Includes a Fund That Holds Securities Related to the Transportation Industry:

Risks associated with the transportation sector.

The Fund invests in companies in the transportation sector, which can be significantly affected by economic changes, fuel prices, labor relations, and insurance costs. Transportation companies may also be subject to significant government regulation and oversight, which may adversely affect their businesses. These factors could affect the transportation sector and could affect the value of the equity securities held by the Fund and the price of the Fund during the term of the notes, which may adversely affect the value of your notes.

If the Reference Asset Is or Includes the Energy Select Sector SPDR® Fund or Otherwise Includes a Fund That Holds Securities Related to the Energy Industry:

Risks associated with the energy sector.

The Fund invests in companies that develop and produce crude oil and natural gas and provide drilling and other energy resources production and distribution related services. Stock prices for these types of companies are affected by supply and demand both for their specific product or service and for energy products and services in general. The price of oil and gas, exploration and production spending, government regulation, world events and economic conditions will likewise affect the performance of these companies. The stock prices of oil service companies could be subject to wide fluctuations in response to a variety of factors, including the ability of the OPEC to set and maintain production levels and pricing, the level of production in non-OPEC countries, the demand for oil and gas, which is negatively impacted by economic downturns, the policies of various governments regarding exploration and development of oil and gas reserves, advances in exploration and development technology and the political environment of oil-producing regions. Correspondingly, securities of companies in the energy field are subject to swift price and supply fluctuations caused by events relating to international politics, energy conservation, the success of exploration projects, and tax and other governmental regulatory policies. Weak demand for the companies products or services or for energy products and services in general, as well as negative developments in these other areas, would adversely impact the price of the Fund. All these factors may adversely affect the value of your notes.

If the Reference Asset Is or Includes the Health Care Select Sector SPDR® Fund or Otherwise Includes a Fund That Holds Securities Related to the Health Care Industry:

Risks associated with the health care sector.

The Fund invests in companies in the health care sector, which are subject to extensive government regulation and their profitability can be significantly affected by restrictions on government reimbursement for medical expenses, rising costs of medical products and services, pricing pressure and an increased emphasis on outpatient services. Companies in the health care sector are heavily dependent on patent protection and the process of obtaining patent approval can be long and costly. The expiration of patents may adversely affect the profitability of the companies. Health care companies are also subject to extensive litigation based on product liability and similar claims. Companies in the health care industry are affected by rising costs of medical products, devices and services and the increased emphasis on the delivery of health care through outpatient services. Health care companies are also subject to competitive forces that may make it difficult to raise prices and, in fact, may result in price discounting. Additionally, the profitability of some health care companies may be dependent on a relatively limited number of products. In addition, their products can become obsolete due to industry innovation, changes in technologies or other market

developments. Many new products in the health care sector may be subject to regulatory approvals and the process of obtaining such approvals may be long and costly. These factors could affect the health care sector and could affect the value of the equity securities held by the Fund and the price of the Fund during the term of the notes, which may adversely affect the value of your notes.

Other Risk Factors Relating to a Fund

The applicable free writing prospectus or pricing supplement may set forth additional risk factors as to a specific Fund that you should review prior to purchasing the notes.

USE OF PROCEEDS AND HEDGING

The net proceeds from the sale of the notes will be used as described under Use of Proceeds in the accompanying prospectus supplement and the prospectus and to hedge market risks of the Bank associated with its obligation to pay any payments on the notes.

We may hedge our obligations under the notes by, among other things, purchasing securities, futures, options or other derivative instruments with returns linked or related to changes in the value of the Reference Asset, and we may adjust these hedges by, among other things, purchasing or selling securities, futures, options or other derivative instruments at any time. Our cost of hedging will include the projected profit that our counterparty expects to realize in consideration for assuming the risks inherent in hedging our obligations under the notes. Because hedging our obligations entails risk and may be influenced by market forces beyond our or our counterparty s control, such hedging may result in a profit that is more or less than expected, or could result in a loss. It is possible that we could receive substantial returns from these hedging activities while the value of the notes decreases.

We expect to hedge our obligations under the notes through one of our affiliates and/or another unaffiliated counterparty.

We have no obligation to engage in any manner of hedging activity and we will do so solely at our discretion and for our own account. No holder of the notes will have any rights or interest in our hedging activity or any positions we or any unaffiliated counterparty may take in connection with our hedging activity. The hedging activity discussed above may adversely affect the value of the notes from time to time. See Risk Factors The Bank s initial estimated value of the notes will be lower than the initial issue price (price to public) of the notes and Certain business, trading and hedging activities of us, the agents, and our respective affiliates may create conflicts with your interests and could potentially adversely affect the value of the notes in this underlying supplement.

REFERENCE SPONSORS AND FUND DESCRIPTIONS

The notes have not been passed on as to their legality or suitability by any Reference Sponsor. The notes are not issued by and are not financial or legal obligations of any Reference Sponsor. No Reference Sponsor makes any warranties or bears any liability with respect to the notes. This underlying supplement relates only to the notes offered by the applicable free writing prospectus or pricing supplement and does not relate to any Fund or Reference Sponsor.

Companies with securities registered under the Securities Exchange Act of 1934, as amended (the Exchange Act), such as the Reference Sponsors, are required to file periodically certain financial and other information specified by the SEC. Information provided to or filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at Room 1580, 100 F Street, N.E., Washington, D.C. 20549, and copies of such material can be obtained from the Public Reference Section of the SEC at prescribed rates. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. In addition, information provided to or filed with the SEC electronically can be accessed through a website maintained by the SEC. The address of the SEC s website is http://www.sec.gov. Information provided to or filed with the SEC pursuant to the Exchange Act by a Reference Sponsor can be located by reference to the SEC file number provided in the applicable free writing prospectus or pricing supplement or herein. In addition, information regarding such a Fund may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. We have not made any independent investigation as to the accuracy or completeness of such information.

We have not made any independent investigation as to the accuracy or completeness of any materials referred to above, including any filings made by a Reference Sponsor with the SEC. In connection with any issuance of notes under the applicable free writing prospectus or pricing supplement, we have not participated in the preparation of the above-described documents or made any due diligence inquiry with respect to any Reference Sponsor or Fund. We make no representation that such publicly available documents or any other publicly available information regarding a Reference Sponsor or a Fund is accurate or complete. Furthermore, we cannot give any assurance that all events occurring prior to the date hereof or prior to the date of the applicable free writing prospectus or pricing supplement (including events that would affect the accuracy or completeness of the publicly available documents described herein) that would affect the price of such Fund (and therefore the value of the Reference Asset at the time we price the notes) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning a Fund could affect the return on the notes.

The selection of any Fund is not a recommendation to buy or sell such Fund. We do not make any representation to any purchaser of the notes as to the performance of any Fund.

Any prospective purchaser of the notes should undertake an independent investigation of any Fund or Reference Sponsor as in its judgment is appropriate to make an informed decision with respect to an investment in the notes.

The disclosure relating to a Fund contained in this document relates only to the offering of notes linked to a Reference Asset containing that Fund. We have derived all information contained in this document regarding a Fund or an Underlying Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. That information reflects the policies of and is subject to change by, the applicable Reference Sponsor or sponsor of an Underlying Index. No Reference Sponsor is under any obligation to continue to publish, and may discontinue or suspend the publication of the relevant Fund or Underlying Index at any time. This underlying supplement is not an offer to sell and it is not an offer to buy interests in any Fund or any of the stocks or other securities held by any Fund. Neither CIBC nor any of its affiliates has made any independent investigation as to the adequacy or accuracy of information about any Fund or Underlying Index contained in this underlying supplement. Information from outside sources is not incorporated by reference in, and should not be considered a part of, this document.

If the notes are linked to a Fund not described in this underlying supplement, the applicable free writing prospectus or pricing supplement or a separate underlying supplement will provide information relating to that Fund.

The iShares® China Large-Cap ETF

Description of the iShares® China Large-Cap ETF

The iShares® China Large-Cap ETF (the FXI) is an investment portfolio maintained and managed by iShares Trust and advised by BlackRock Fund Advisors (BFA). The shares of the FXI are listed and trade on the NYSE Arca, Inc. (NYSE Arca) under the ticker symbol FXI.

iShares Trust is a registered investment company that consists of numerous separate investment portfolios, including the FXI. Information provided to or filed with the SEC by iShares Trust pursuant to the Securities Act of 1933, as amended (the Securities Act) and the Investment Company Act of 1940, as amended (the Investment Company Act) can be located by reference to SEC file numbers 333-92935 and 811-09729, respectively, through the SEC s website at http://www.sec.gov.

Investment Objective and Strategy

The FXI seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the FTSE China 50 Index (previously known as the FTSE China 25 Index). On September 22, 2014, FTSE International Limited (FTSE) expanded the underlying index to a 50 stock index, and changed its name from FTSE China 25 Index to FTSE China 50 Index. On July 1, 2013, the name of the FXI changed from the iShares® FTSE China 25 Index Fund to the iShares® China Large-Cap ETF. The FTSE China 50 Index is designed to track the performance of 50 largest and most liquid Chinese companies that publicly trade on the Stock Exchange of Hong Kong Ltd. (HKSE) and are available to international investors. The FXI uses a representative sampling strategy (as described below under Representative Sampling) to track the FTSE China 50 Index. The returns of the FXI may be affected by certain management fees and other expenses, which are detailed in its prospectus.

Representative Sampling

The FXI pursues a representative sampling strategy in attempting to track the performance of the FTSE China 50 Index, and may or may not hold all of the equity securities included in the FTSE China 50 Index. The FXI invests in a representative sample of securities that collectively has an investment profile similar to the FTSE China 50 Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the FTSE China 50 Index.

The FXI generally invests at least 90% of its assets in securities of the FTSE China 50 Index and in depositary receipts (DRs) representing securities of the FTSE China 50 Index. The FXI may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the FTSE China 50 Index, but which BFA believes will help the FXI track the FTSE China 50 Index.

Correlation

The FTSE China 50 Index is a theoretical financial calculation, while the FXI is an actual investment portfolio. The performance of the FXI and the FTSE China 50 Index may vary for a number of reasons, including transaction costs, non-U.S. currency valuations, asset valuations, corporate actions (such as mergers and spin-offs), timing variances and differences between the FXI s portfolio and the FTSE China 50 Index resulting from the FXI s use of representative sampling or from legal restrictions (such as diversification requirements) that apply to the FXI but not to the FTSE China 50 Index. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called tracking error. The FXI, using a representative sampling indexing strategy, can be expected to have a greater tracking error than a Fund using a replication indexing strategy. Replication is an indexing strategy in which a Fund invests in substantially all of the securities in its Underlying Index in approximately the same proportions as in the Underlying Index.

Industry Concentration Policy

The FXI will concentrate its investments (i.e., hold 25% or more of its total assets) in a particular industry or group of industries to approximately the same extent that the FTSE China 50 Index is concentrated. For purposes of this limitation, securities of the U.S. government (including its agencies and instrumentalities) and repurchase agreements collateralized by U.S. government securities are not considered to be issued by members of any industry.

Description of the FTSE China 50 Index

All information in this document regarding the FTSE China 50 Index, including, without limitation, its make-up, method of calculation and changes in its components, is derived from publicly available information. Such information reflects the policies of, and is subject to change by, FTSE. Neither we nor any of our affiliates has undertaken any independent review or due diligence of such information. FTSE owns the copyright and all other rights to the FTSE China 50 Index. FTSE has no obligation to continue to publish, and may discontinue publication of, the FTSE China 50 Index.

As indicated above, the index was previously known as the FTSE China 25 Index. On September 22, 2014, FTSE expanded the index to a 50 stock index, and changed its name from FTSE China 25 Index to FTSE China 50 Index. The FTSE China 50 Index is a stock index calculated, published and disseminated by FTSE, and is designed to represent the performance of the mainland Chinese market that is available to international investors. The FTSE China 50 Index is quoted in Hong Kong dollars (HKD) and currently is based on the 50 largest and most liquid Chinese stocks (called H shares, Red Chip shares and P Chips), listed

and trading on the HKSE. H shares are securities of companies incorporated in the People s Republic of China and nominated by the Chinese Government for listing and trading on the HKSE. Red Chip shares are securities of Hong Kong-incorporated companies, which are substantially owned directly or indirectly by the Mainland China state entities and have the majority of their business interests in mainland China. P Chip shares are securities of a company controlled by mainland individuals, with the establishment and origin of the company in mainland China. It must be incorporated outside of the People s Republic of China and traded on the HKSE with a majority of its revenue or assets derived from mainland China.

Index Computation

The FTSE China 50 Index is calculated using the free float index calculation methodology of the FTSE. The index is calculated using the following algorithm:

Where i=1,2, ,N, N is the number of the securities in the index, p_i is the latest trade price of the component security (or the price at the close of the FTSE China 50 Index on the previous day), e_i is the exchange rate required to convert the security s home currency into the index s base currency, s_i is the number of shares of the security in issue, f_i is the investability weighting factor (this factor is published by the FTSE for each security in the index) adjusted in accordance with the policies of FTSE, c_i is the capping factor published by FTSE at the most recent quarterly review of the index, and d is the divisor, a figure that represents the total issued share capital of the index at the base date, which may be adjusted to allow for changes in the issued share capital of individual securities to be made without distorting the index.

The FTSE China 50 Index uses actual trade prices for securities with local stock exchange quotations and Reuters real-time spot currency rates for its calculations. Under this methodology, free float restrictions include: (i) shares directly owned by state, regional, municipal and local governments (excluding shares held by independently managed pension schemes for governments), (ii) shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies with which they are affiliated, (iii) shares held within employee share plans, (iv) shares held by public companies or non-listed subsidiaries of public companies, (v) all shares where the holder is subject to a lock-in clause (for the duration of that clause), (vi) shares held by an investor, investment company or an investment fund that is actively participating in the management of a company or is holding shares in a company for strategic reasons as evidenced by specific statements to that effect in publicly available announcements, or has successfully placed a current member to the board of directors of a company, (vii) shares that are subject to ongoing contractual agreements (such as swaps) where they would ordinarily be treated as restricted, (viii) shares that are non-negotiable which are held by companies that have not converted these shares following the A Share reform, (ix) non-tradable A Shares subject to a lock-in (until the lock-in expires and the shares are freely tradable on the exchange). Free float restrictions are calculated using available published information rounded to 12 decimal places. Companies with a free float of 5% or below are excluded from the index.

The following criteria, among others, are used to ensure that illiquid securities are excluded:

- Price: FXI must be satisfied that an accurate and reliable price exists for the purposes of determining the market value of a company. FXI may exclude a security from the FTSE China 50 Index if it decides that an accurate

and reliable price is not available. The FTSE China 50 Index uses the last trade prices from the relevant stock exchanges, when available.

- Liquidity: Each security will be tested for liquidity on a semi-annual basis in March and September by calculation of its monthly median of daily trading volume as part of the FTSE All-World Index review. When calculating the median of daily trading volume of any security for a particular month, a minimum of 5 trading days in that month must exist, otherwise the month will be excluded from the test. For each month, the daily trading volume for each security is calculated as a percentage of the shares in issue for that day adjusted by the free float at the review cut off date. These daily values are then ranked in descending order and the median is taken by selecting the value for the middle ranking day if there is an odd number of days and the mean of the middle two if there is an even number of days. Daily totals with zero trades are included in the ranking; therefore a security that fails to trade for more than half of the days in a month will have a zero median trading volume for that month. Any period of suspension will not be included in the test.

- New Issues: New issues which do not have a twelve month trading record must have a minimum trading record of at least three months prior to the date of the review and turnover of a minimum of 0.05% of their shares in issue, after the application of any free float restrictions, per month in each month since their listing, except in certain circumstances. A non-constituent which does not turn over at least 0.05% of their shares in issue, after the application of any free float restrictions, based on their median daily trade per month in ten of the twelve months prior to a full market review, will not be eligible for inclusion in the index.

The FTSE China 50 Index, like other indices of the FTSE, is governed by an independent advisory committee that ensures that the index is operated in accordance with its published ground rules, and that the rules remain relevant to the FTSE China 50 Index.

The iShares® Latin America 40 ETF

Description of the iShares® Latin America 40 ETF

The iShares® Latin America 40 ETF (the ILF) is an investment portfolio maintained and managed by iShares Trust and advised by BFA. The shares of the ILF are listed and trade on the NYSE Arca under the ticker symbol ILF.

iShares Trust is a registered investment company that consists of numerous separate investment portfolios, including the ILF. Information provided to or filed with the SEC by iShares pursuant to the Securities Act and the Investment Company Act can be located by reference to SEC file numbers 333-92935 and 811-09729, respectively, through the SEC s website at http://www.sec.gov.

Investment Objective and Strategy

The ILF seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P Latin America 40 IndexTM (the S&P Latin America 40). The S&P Latin America 40 is comprised of selected equities trading on the exchanges of five Latin American countries. The S&P Latin America 40 includes highly liquid securities from major economic sectors of the Mexican and South American equity markets. Companies from Mexico, Brazil, Peru, Colombia and Chile are represented in the S&P Latin America 40. The ILF uses a representative sampling strategy (as described below under — Representative Sampling) in seeking to track the S&P Latin America 40. The returns of the ILF may be affected by certain management fees and other expenses, which are detailed in its prospectus.

Representative Sampling

The ILF pursues a representative sampling strategy in attempting to track the performance of the S&P Latin America 40, and generally does not hold all of the equity securities included in the S&P Latin America 40. The ILF invests in a representative sample of securities in the S&P Latin America 40, which have a similar investment profile as the S&P Latin America 40. The securities selected have, in the aggregate, investment characteristics (based on market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the S&P Latin America 40. The ILF generally invests at least 90% of its assets in securities of the S&P Latin America 40 and in DRs representing securities of the S&P Latin America 40. The ILF may invest the remainder of its assets in securities not included in the S&P Latin America 40 but which BFA believes will help the ILF track the S&P Latin America 40, and in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates.

Correlation

The S&P Latin America 40 is a theoretical financial calculation, while the ILF is an actual investment portfolio. The performance of the ILF and the S&P Latin America 40 may vary for a number of reasons, including transaction costs, non-U.S. currency valuations, asset valuations, corporate actions (such as mergers and spin-offs), timing variances and differences between the ILF s portfolio and the S&P Latin America 40 resulting from legal restrictions (such as diversification requirements) that apply to the ILF but not to the S&P Latin America 40. BFA expects that, over time, the correlation between the ILF s performance and that of the S&P Latin America 40, before fees and expenses, will be 95% or better. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called tracking error. The ILF, using a representative sampling indexing strategy, can be expected to have a greater tracking error than a Fund using a replication indexing strategy.

Description of the S&P Latin America 40® Index

The S&P Latin America 40 is intended to be a measure of the Latin American economy. Its 40 constituents capture approximately 70% of the total market capitalization of five major Latin American markets: Mexico, Brazil, Peru, Colombia and Chile. Prices for the S&P Latin America 40 are collected in local currencies and index values are released in U.S. dollars. The S&P Latin America 40 was developed by S&P Dow Jones Indices LLC (S&P) and is calculated, maintained and published by S&P. The S&P Latin America 40 is maintained by the S&P Index Committee.

The S&P Latin America 40 includes the stocks that are among the largest in terms of market capitalization from companies located in Mexico, Brazil, Peru, Colombia and Chile (the Component Stocks). A stock s domicile is determined based on criteria that include headquarters of the company, registration, listing of the stock, place of operations, and residence of the senior officers. A stock s weight in the S&P Latin America 40 is determined by the float-adjusted market capital of the stock. An investable weight factor (IWF) is applied to each constituent s share count used for index calculation. The IWF reduces shares outstanding for government-owned shares, strategically held shares and shares restricted from foreign ownership.

All common and preferred shares (of an equity and not a fixed income nature) are eligible for inclusion in the S&P Latin America 40. Convertible stock, bonds, warrants, rights and preferred stock that provide a guaranteed fixed return are not eligible.

To identify stocks for possible addition, the following factors are considered:

- Value and volume traded: Liquidity measures of possible additions are considered to ensure that the S&P Latin America 40 remains investable.

- Sector representation: The S&P Latin America 40 s sector composition is compared to that of the entire equity universe. Companies may be added to bring the S&P Latin America 40 in line with the equity universe.

- Country representation: Companies may be added so the S&P Latin America 40 country weights to reflect those of the equity universe.

Large global offerings and other extraordinary circumstances may require a company to be immediately added to the S&P Latin America 40. Companies may be removed from the S&P Latin America 40 because of bankruptcy or major restructuring such as mergers and acquisitions. A company may also be removed if it is no longer representative of the market or its industry.

Index Computation

The daily calculation of the S&P Latin America 40 is computed by dividing the total Market Value of the Component Stocks by a number called the Index Divisor. The Market Value of any Component Stock is the product of the market price per share and the number of the then outstanding shares of such Component Stock available after float adjustment. By itself, the Index Divisor is an arbitrary number. However, in the

context of the calculation of the S&P Latin America 40, it is the only link to the original base value of the S&P Latin America 40. The Index Divisor keeps the S&P Latin America 40 comparable over time and is the manipulation point for all adjustments to the S&P Latin America 40 (Index Maintenance). Index Maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to company restructurings or spinoffs.

Changes to the S&P Latin America 40 are made on an as-needed basis. There is no annual or semiannual reconstitution. Share and IWF changes greater than 5% are made at the effective date, or as soon as reliable information is available. Changes of less than 5% are applied on the third Friday of March, June, September and December. Similarly, any change affecting a stock s float adjustment is implemented on the effective date if it causes a capitalization change of 5% or more. Changes of less than 5% are applied at the September quarterly review to align it with the annual reconstitution of the S&P/IFCI.

Changes in the S&P Latin America 40 value reflect changes in the total market capitalization of the S&P Latin America 40 that are caused by price movements in the market. They do not reflect changes in the market capitalization of the index, or of the individual stocks, that are caused by corporate actions such as dividend payments, stock splits, distributions to shareholders, mergers or acquisitions.

To prevent the value of the S&P Latin America 40 from changing due to corporate actions, all corporate actions which affect the total Market Value of the S&P Latin America 40 require an Index Divisor adjustment. By adjusting the S&P Latin America 40 Divisor for the change in total Market Value, the value of the S&P Latin America 40 remains constant. This helps maintain the value of the S&P Latin America 40 as an accurate barometer of stock market performance and ensures that the movement of the S&P Latin America 40 does not reflect the corporate actions of individual companies in the S&P Latin America 40. Corporate actions (such as stock splits, stock dividends, non-zero price spin-offs and rights offerings) are applied after the close of trading on the day prior to the ex-date. 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 Index Committee s discretion.

The table below summarizes the types of Index Maintenance adjustments and indicates whether or not an Index Divisor adjustment is required.

Type of Corporate Action	Adjustment Factor	Divisor Adjustment Required
Company added/deleted	Net change in market value determines divisor adjustment.	Yes
Change in shares outstanding	Any combination of secondary issuance, share repurchase or buy back share counts revised to reflect change.	Yes
Stock split	Share count revised to reflect new count. Divisor adjustment is not required since the share count and price changes are offsetting.	No
Spin-off	The spin-off is added to the relevant S&P U.S. Index on the ex-date at a price of zero.	No
Change in IWF	Increasing (decreasing) the IWF increases (decreases) the total market value of the relevant S&P U.S. Index. The divisor change reflects the change in market value caused by the change to an IWF.	Yes
Special dividend	When a company pays a special dividend, the share price is assumed to drop by the amount of the dividend; the divisor adjustment reflects this drop in index market value.	Yes
Rights offering	Each shareholder receives the right to buy a proportional number of additional shares at a set (often discounted) price. The calculation assumes that the offering is fully subscribed. Divisor adjustment reflects increase in market capitalization measured as the shares issued multiplied by the price paid.	Yes

Stock splits and stock dividends do not affect the Index Divisor of the index, because following a split or dividend both the stock price and number of shares outstanding are adjusted by S&P so that there is no change in the Market Value of the Component Stock. All stock split and dividend adjustments are made after the close of trading on the day before the ex-date.

Each of the corporate events exemplified in the table requiring an adjustment to the Index Divisor has the effect of altering the Market Value of the Component Stock and consequently of altering the aggregate Market Value of the Component Stocks (the Post-Event Aggregate Market Value). In order that the level of the

index (the Pre-Event Index Value) not be affected by the altered Market Value (whether increase or decrease) of the affected Component Stock, a new Index Divisor (New Divisor) is derived as follows:

$$\frac{\text{Post-Event Aggregate Market Value}}{\text{New Divisor}} = \text{Pre-Event Index Value}$$

$$\text{New Divisor} = \frac{\text{Post-Event Aggregate Market Value}}{\text{Pre-Event Index Value}}$$

A large part of the Index Maintenance process involves tracking the changes in the number of shares outstanding of each of the S&P Latin America 40 companies. Four times a year, on the third Friday of March, June, September and December, the share totals of companies in the index are updated as required by any changes in the number of shares outstanding. After the totals are updated, the Index Divisor is adjusted to compensate for the net change in the total Market Value of the S&P Latin America 40. In addition, any changes over 5% in the current common shares outstanding for the S&P Latin America 40 companies are carefully reviewed on a weekly basis, and when appropriate, an immediate adjustment is made to the Index Divisor.

The iShares® MSCI Brazil ETF

Description of the iShares® MSCI Brazil ETF

The iShares® MSCI Brazil ETF (the EWZ) is an investment portfolio maintained and managed by iShares, Inc. (iShares) and advised by BFA. iShares is a registered investment company that consists of numerous separate investment portfolios, including EWZ. The shares of the EWZ are listed and trade at market prices on the New York Stock Exchange (NYSE) under the exchange trading symbol EWZ.

Information provided to or filed with the SEC by iShares pursuant to the Securities Act and the Investment Company Act can be located by reference to SEC file numbers 033-97598 and 811-09102, respectively, through the SEC s website at www.sec.gov.

The MSCI Brazil 25/50 Index, which is the Underlying Index of EWZ, is calculated by or on behalf of MSCI Inc. (MSCI). MSCI does not issue, sponsor, endorse, sell or promote the EWZ. MSCI makes no representations or warranties to the owners of the notes or any member of the public regarding the advisability of investing in the notes. MSCI has no obligation or liability in connection with the operation, marketing or sale of the notes.

Investment Objective and Strategy

The EWZ seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the MSCI Brazil 25/50 Index. The MSCI Brazil 25/50 Index was developed by MSCI as an equity benchmark for Brazilian stock performance, and is designed to measure equity market performance in Brazil. The EWZ uses a representative sampling strategy (as described below under Representative Sampling) to try to track the MSCI Brazil 25/50 Index. The returns of the EWZ may be affected by certain management fees and other expenses, which are detailed in its prospectus.

Correlation

The MSCI Brazil 25/50 Index is a theoretical financial calculation, while the EWZ is an actual investment portfolio. The performance of the EWZ and the MSCI Brazil 25/50 Index will vary somewhat due to transaction costs, non-U.S. currency valuations, asset valuations, corporate actions (such as mergers and spin-offs), timing variances and differences between the EWZ s portfolio and the MSCI Brazil 25/50 Index resulting from legal restrictions (such as diversification requirements) that apply to the EWZ but not to the MSCI Brazil 25/50 Index or the use of representative sampling. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called tracking error. The EWZ, which uses a representative sampling indexing strategy, can be expected to have a greater tracking error than a Fund using a replication indexing strategy.

Representative Sampling

The EWZ pursues a representative sampling strategy in attempting to track the performance of the MSCI Brazil 25/50 Index, and generally does not hold all of the equity securities included in the MSCI Brazil 25/50 Index. The EWZ invests in a representative sample of securities in the MSCI Brazil 25/50 Index, which have a similar investment profile as the MSCI Brazil 25/50 Index. Securities selected have aggregate investment characteristics (based on market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings valuation and yield) and liquidity measures similar to those of the MSCI Brazil 25/50 Index. The EWZ will generally invest at least 95% of its assets in the securities of the MSCI Brazil 25/50 Index and DRs representing securities of the MSCI Brazil 25/50 Index. The EWZ will at all times invest at least 80% of its assets in the securities of the MSCI Brazil 25/50 Index or in DRs representing securities of the MSCI Brazil 25/50 Index. The EWZ may invest the remainder of its assets in other securities, including securities not represented by the MSCI

Brazil 25/50 Index, but which BFA believes will help the EWZ to track the MSCI Brazil 25/50 Index, and in other investments, including futures contracts, options on futures contracts, other types of options and swaps related to the MSCI Brazil 25/50 Index, as well as cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates.

Industry Concentration Policy

The EWZ will concentrate its investments (i.e., hold 25% or more of its total assets) in a particular industry or group of industries only to approximately the same extent that the MSCI Brazil 25/50 Index is so concentrated. For purposes of this limitation, securities of the U.S. government (including its agencies and instrumentalities), repurchase agreements collateralized by U.S. government securities, and securities of state or municipal governments and their political subdivisions are not considered to be issued by members of any industry.

Description of the MSCI Brazil 25/50 Index and the MSCI Brazil Index

All information in this document regarding the MSCI Brazil 25/50 Index and the MSCI Brazil Index, including, without limitation, their make-up, method of calculation and changes in their components, is derived from publicly available information. Such information reflects the policies of, and is subject to change by, MSCI. Neither we nor any of our affiliates has undertaken any independent review or due diligence of such information. MSCI owns the copyright and all other rights to the MSCI Brazil 25/50 Index and the MSCI Brazil Index. MSCI has no obligation to continue to publish, and may discontinue publication of, the MSCI Brazil 25/50 Index or the MSCI Brazil Index.

The MSCI Brazil 25/50 Index

The MSCI Brazil 25/50 Index is published by MSCI and is intended to measure the performance of equity markets in Brazil. The index is a free float-adjusted market capitalization index with a base date of December 31, 1987. Component companies must meet objective criteria for inclusion in the MSCI Brazil 25/50 Index, taking into consideration unavailable strategic shareholdings and limitations to foreign ownership. The MSCI Brazil 25/50 Index is calculated daily in U.S. dollars and published in real time every 60 seconds during market trading hours. The MSCI Brazil 25/50 Index is published by Bloomberg under the index symbol M1BR2550.

Objectives and Guiding Principles Underlying the MSCI 25/50 Indices

Under current regulations, a Fund needs to satisfy certain tests, such as those relating to asset diversification and sources of income, for qualification as a regulated investment company or RIC. More specifically, one requirement of a RIC is that, at the end of each quarter of a RIC s tax year, no more than 25% of the value of the RIC s assets may be invested in a single issuer and the sum of the weights of all issuers representing more than 5% of the Fund should not exceed 50% of the Fund s total assets. The MSCI 25/50 Indices take into account these investments limits, offering a benchmarking alternative for RIC compliant funds.

The following principles have guided MSCI in designing a methodology for constructing the MSCI 25/50 Indices:

- the MSCI 25/50 Index is rebalanced in February, May, August to ensure timely and on-going reflection of the 25% and 50% concentration constraints; and

- this rebalancing is achieved by using an optimization process that aims to minimize the constituent weight differences between that MSCI 25/50 Index and the relevant parent index. The active risk or the tracking error of an MSCI 25/50 Index versus the relevant parent index is measured as the distance between the constituent weights of that MSCI 25/50 Index and the relevant parent index.

Constructing and Rebalancing the MSCI 25/50 Indices

The MSCI 25/50 Index methodology follows a portfolio optimization framework. The Barra Optimizer is utilized to perform the optimization function, which is aimed at minimizing index turnover, tracking error and extreme deviation from the relevant parent index. The Barra Optimizer is an algorithm designed to facilitate the portfolio construction process.

The minimum weight of any MSCI 25/50 Index constituent is equal to the weight of the smallest constituent in the relevant parent index. A buffer of 10% of the value of each constituent is used in order to reduce the risk of non-compliance due to short term market movements between two quarterly rebalancing. As a result, at the point of constructing or rebalancing the MSCI 25/50 Indices, the weight of any single issuer cannot exceed 22.5% of the index weight and all issuers with weight above 4.5% cannot exceed 45% of the index weight.

The MSCI Brazil Index

The MSCI Brazil Index is designed to measure the performance of the large and mid-cap segments of the Brazilian market.

Each of the MSCI Brazil 25/50 Index and the MSCI Brazil Index is part of the MSCI Equity Indices series. MSCI aims to include in its indices 99% of the free float-adjusted market capitalization in each industry sector, within each country included in an index.

Constructing the MSCI Indices

MSCI undertakes an index construction process, which involves: (i) defining the equity universe; (ii) determining the market investable equity universe for each market; (iii) determining market capitalization size segments for each market; (iv) applying index continuity rules for that index; (v) creating style segments within each size segment within each market; and (vi) classifying securities under the global industry classification standard (GICS).

Maintenance of and Changes to the MSCI Indices

MSCI maintains the MSCI Indices with the objective of reflecting, on a timely basis, the evolution of the underlying equity markets and segments. In maintaining the MSCI Indices, emphasis is also placed on continuity, continuous investability of constituents, replicability, index stability and minimizing turnover in the indices.

As part of the changes to MSCI s methodology which became effective in May 2008, maintenance of the indices falls into three broad categories:

- semi-annual reviews, which occur each May and November and involve a comprehensive reevaluation of the market, the universe of eligible securities and other factors involved in composing the indices;

- quarterly reviews, which occur each February and August and focus on significant changes in the market since the last semi-annual review; and

- ongoing event-related changes, which generally are reflected in the indices at the time of the event and include changes resulting from mergers, acquisitions, spin-offs, bankruptcies, reorganizations, issuances and other extraordinary transactions, corporate actions and events.

Based on these reviews, additional components may be added, and current components may be removed, at any time. MSCI generally announces all changes resulting from semi-annual reviews, quarterly reviews and ongoing events in advance of their implementation, although in exceptional cases they may be announced during market hours for same or next day implementation.

Prices and exchange rates

Prices

The prices used to calculate the MSCI Indices are the official exchange closing prices or those figures accepted as such. MSCI reserves the right to use an alternative pricing source on any given day.

Exchange rates

MSCI uses the foreign exchange rates published by WM/Reuters at 4:00 p.m., London time. MSCI uses WM/Reuters rates for all developed and emerging markets.

In case WM/Reuters does not provide rates for specific markets on given days (for example Christmas Day and New Year s Day), the previous business day s rates are normally used.

MSCI continues to monitor exchange rates independently and may, under exceptional circumstances, elect to use an alternative exchange rate if the WM/Reuters rates are not available, or if MSCI determines that the WM/Reuters rates are not reflective of market circumstances for a given currency on a particular day. In such circumstances, an announcement would be sent to clients with the related information. If appropriate, MSCI may conduct a consultation with the investment

community to gather feedback on the most relevant exchange rate.

The iShares® MSCI EAFE ETF

Description of the iShares® MSCI EAFE ETF

The iShares® MSCI EAFE ETF (the EFA) is an investment portfolio maintained and managed by iShares and advised by BFA. iShares is a registered investment company that consists of numerous separate investment portfolios, including EFA. The shares of EFA are listed and trade at market prices on a national securities exchange such as the Chicago Board Options Exchange, Nasdaq, NYSE or NYSE Arca under the exchange trading symbol EFA.

Information provided to or filed with the SEC by iShares pursuant to the Securities Act and the Investment Company Act can be located by reference to SEC file numbers 033-97598 and 811-09102, respectively, through the SEC s website at www.sec.gov.

Investment Objective and Strategy

The EFA generally invests at least 90% of its assets in securities of the MSCI EAFE® Index (the MXEA) and in DRs representing securities of the MXEA. The EFA may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, including money market funds advised by BFA or its affiliates, as well as in securities not included in the MXEA, but which BFA believes will help the EFA track the MXEA. The returns of the EFA may be affected by certain management fees and other expenses, which are detailed in its prospectus.

Representative Sampling

The EFA pursues a representative sampling strategy in attempting to track the performance of the MXEA, and generally does not hold all of the equity securities held by the MXEA. The EFA invests in a representative sample of securities in the MXEA, which have a similar investment profile as the MXEA. BFA will generally invest at least 90% of its assets in the securities of the MXEA and DRs based on securities of the MXEA, and may invest the remainder of its assets in securities not held by the MXEA, but which BFA believe will help the EFA track the MXEA. Securities selected have aggregate investment characteristics (based on market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings valuation and yield) and liquidity measures similar to those of the MXEA.

Correlation

The MXEA is a theoretical financial calculation, while the EFA is an actual investment portfolio. The performance of the EFA and the MXEA may vary somewhat due to transaction costs, non-U.S. currency valuations, asset valuations, corporate actions (such as mergers and spin-offs), timing variances and differences between the EFA s portfolio and the MXEA resulting from legal restrictions (such as diversification requirements that apply to the EFA but not to the MXEA) or representative sampling.

Industry Concentration Policy

The EFA will concentrate its investments (i.e., hold 25% or more of its total assets) in a particular industry or group of industries to approximately the same extent that the MXEA is so concentrated. For purposes of this limitation, securities of the U.S. government (including its agencies and instrumentalities), repurchase agreements collateralized by U.S. government securities, and securities of state or municipal governments and their political subdivisions are not considered to be issued by members of any industry.

Description of the MXEA

All information in this document regarding the MXEA, including, without limitation, its make-up, method of calculation and changes in its components, is derived from publicly available information. Such information reflects the policies of, and is subject to change by, MSCI. Neither we nor any of our affiliates has undertaken any independent review or due diligence of such information. MSCI owns the copyright and all other rights to the MXEA. MSCI has no obligation to continue to publish, and may discontinue publication of, the MXEA.

The MXEA is intended to measure equity market performance in developed market countries, excluding the United States and Canada. The MXEA is a free float-adjusted market capitalization equity index with a base date of December 31, 1969 and an initial value of 100.00. The MXEA is calculated daily in U.S. dollars and published in real time every 60 seconds during market trading hours. The MXEA currently consists of companies from the following 21 developed countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The MXEA covers approximately 85% of the free float-adjusted market capitalization in each country. The MXEA is part of the MSCI Market Cap Weighted Indexes series and is an MSCI Global Investable Market Index. The MXEA is reported by Bloomberg L.P. under the ticker symbol MXEA.

Constructing the MSCI Global Investable Market Indices

MSCI undertakes an index construction process for the MSCI Global Investable Market Indexes, which involves:

- defining the equity universe;
- determining the market investable equity universe for each market;
- determining market capitalization size segments for each market;
- applying index continuity rules for the MSCI Standard Index; and
- classifying securities under the GICS.

Defining the Equity Universe. The equity universe is defined by:

- Identifying Eligible Equity Securities: all listed equity securities, including REITs and certain income trusts listed in Canada are eligible for inclusion in the equity universe. Limited partnerships, limited liability companies, and business trusts, which are listed in the United States and are not structured to be taxed as limited partnerships, are likewise eligible for inclusion in the equity universe. Conversely, mutual funds, ETFs, equity derivatives, and most investment trusts are not eligible for inclusion in the equity universe.

- Classifying Eligible Securities into the Appropriate Country: each company and its securities (i.e., share classes) are classified in only one country. Countries will be classified as Developed Markets (DM), Emerging Markets (EM) or Frontier Markets (FM).

Determining the Market Investable Equity Universes. A market investable equity universe for a market is derived by identifying eligible listings for each security in the equity universe and applying investability screens to individual companies and securities in the equity universe that are classified in that market. A market is equivalent to a single country, except in DM Europe, where all DM countries in Europe are aggregated into a single market for index construction purposes. Subsequently, individual DM Europe country indices within the MSCI Europe Index are derived from the constituents of the MSCI Europe Index under the Global Investable Market Indexes methodology.

In identifying eligible listings, a security may have a listing in the country where it is classified (i.e. local listing) and/or in a different country (i.e. foreign listing). Securities may be represented by either a local listing or a foreign listing (including a DR) in the equity universe. A security may be represented by a foreign listing only if the following conditions are met:

- The security is classified in a country that meets the Foreign Listing Materiality Requirement, and minimum number of five constituents will be maintained for a DM Standard Index and

- The security s foreign listing is traded on an eligible stock exchange of: (a) a DM country if the security is classified in a DM country; (b) a DM or an EM country if the security is classified in an EM country; or (c) a DM, EM or FM country if the security is classified in an FM country.

The investability screens used to determine the investable equity universe in each market are as follows:

- Equity Universe Minimum Size Requirement: this investability screen is applied at the company level. In order to be included in a market investable equity universe, a company must have the required minimum full market capitalization.

- Equity Universe Minimum Free Float-Adjusted Market Capitalization Requirement: this investability screen is applied at the individual security level. To be eligible for inclusion in a market investable equity universe, a security must have a free float-adjusted market capitalization equal to or higher than 50% of the equity universe minimum size requirement.

- DM and EM Minimum Liquidity Requirement: this investability screen is applied at the individual security level. To be eligible for inclusion in a market investable equity universe, a security must have adequate liquidity. The twelve-month and three-month Annual Traded Value Ratio (ATVR), a measure that screens out extreme daily trading volumes and takes into account the free float-adjusted market capitalization of securities, together with the three-month frequency of trading are used to measure liquidity. In the calculation of the ATVR, the trading volumes in DRs associated with that security, such as ADRs or global depositary receipts (GDRs), are also considered. A minimum liquidity level of 20% of three- and twelve-month ATVR and 90% of three-month frequency of trading over the last four consecutive quarters are required for inclusion of a security in a market investable equity universe of a DM, and a minimum liquidity level of 15% of three- and twelve-month ATVR and 80% of three-month frequency of trading over the last four consecutive quarters are required for inclusion of a security in a market investable equity universe of an EM.

- Global Minimum Foreign Inclusion Factor Requirement: this investability screen is applied at the individual security level. To be eligible for inclusion in a market investable equity universe, a security s Foreign Inclusion Factor (FIF) must reach a certain threshold. The FIF of a security is defined as the proportion of shares outstanding that is available for purchase in the public equity markets by international investors. This proportion accounts for the available free float of

and/or the foreign ownership limits applicable to a specific security (or company). In general, a security must have an FIF equal to or larger than 0.15 to be eligible for inclusion in a market investable equity universe.

- Minimum Length of Trading Requirement: this investability screen is applied at the individual security level. For an initial public offering (IPO) to be eligible for inclusion in a market investable equity universe, the new issue must have started trading at least four months before the implementation of the initial construction of the index or at least three months before the implementation of a Semi-Annual Index Review (as described below). This requirement is applicable to small new issues in all markets. Large IPOs are not subject to the minimum length of trading requirement and may be included in a market investable equity universe and the MSCI Standard Index outside of a Quarterly or Semi-Annual Index Review (as defined below).

- Minimum Foreign Room Requirement: this investability screen is applied at the individual security level. For a security that is subject to a Foreign Ownership Limit (FOL) to be eligible for inclusion in a market investable equity universe, the proportion of shares still available to foreign investors relative to the maximum allowed (referred to as foreign room) must be at least 15%.

Defining Market Capitalization Size Segments for Each Market. Once a market investable equity universe is defined, it is segmented into the following size-based indices:

- Investable Market Index (Large + Mid + Small);

- Standard Index (Large + Mid);

- Large Cap Index;

- Mid Cap Index; or

- Small Cap Index.

Creating the size segment indices in each market involves the following steps:

- Defining the market coverage target range for each size segment;

- Determining the global minimum size range for each size segment;

- Determining the market size segment cutoffs and associated segment number of companies;

- Assigning companies to the size segments; and

- Applying final size segment investability requirements.

Index Continuity Rules for the Standard Indices. In order to achieve index continuity, as well as to provide some basic level of diversification within a market index, and notwithstanding the effect of other index construction rules described in this section, a minimum number of three constituents will be maintained for an EM Standard Index.

Creating Style Indices within Each Size Segment. All securities in the investable equity universe are classified into value or growth segments using the MSCI Global Value and Growth methodology.

Classifying Securities under the Global Industry Classification Standard (the GICS). All securities in the global investable equity universe are assigned to the industry that best describes their business activities. To this end, MSCI has designed, in conjunction with Standard & Poor s, the GICS. Under the GICS, each company is assigned to one sub-industry according to its principal business activity. Therefore, a company can belong to only one industry grouping at each of the four levels of the GICS.

Maintenance of the MSCI Global Investable Market Indices

The MSCI Global Investable Market Indexes are maintained with the objective of reflecting the evolution of the underlying equity markets and segments on a timely basis, while seeking to achieve index continuity, continuous investability of constituents and replicability of the indices, index stability and low index turnover. In particular, index maintenance involves:

(i) Semi-Annual Index Reviews (SAIRs) in May and November of the Size Segment and Global Value and Growth Indices which include:

- Updating the indices on the basis of a fully refreshed equity universe;

- Taking buffer rules into consideration for migration of securities across size and style segments; and

- Updating FIFs and number of shares (NOS).

(ii) Quarterly Index Reviews in February and August of the Size Segment Indices aimed at:

- Including significant new eligible securities (such as IPOs that were not eligible for earlier inclusion) in the index;

- Allowing for significant moves of companies within the Size Segment Indices, using wider buffers than in the SAIR; and

- Reflecting the impact of significant market events on FIFs and updating NOS.

(iii) Ongoing Event-Related Changes: changes of this type are generally implemented in the indices as they occur. Significantly large IPOs are included in the indices after the close of the company s tenth day of trading.

Calculation of the MSCI Global Investable Market Indices

The MSCI equity indices are free float-adjusted market capitalization indices that are designed to measure the market performance, including price performance, of the equity securities in an index. The MSCI equity indices are calculated using the Laspeyres concept of a weighted arithmetic average together with the concept of chain-linking. Each index component is included at a weight that reflects the ratio of its free float-adjusted market capitalization (i.e., free public float multiplied by price) to the free float-adjusted market capitalization of all the components included in the index. MSCI defines the free float of a security as the proportion of shares outstanding that is deemed to be available for purchase in the public equity markets by international investors.

Each MSCI Global Investable Market Index is calculated in the relevant local currency as well as in U.S. dollars, with price, gross and net returns.

Neither we nor any of our affiliates accepts any responsibility for the calculation, maintenance, or publication of, or for any error, omission, or disruption in, the MSCI indices. MSCI does not guarantee the accuracy or the completeness of the MSCI indices or any data included in the MSCI indices. MSCI assumes no liability for any errors, omissions, or disruption in the calculation and dissemination of the MSCI indices. MSCI disclaims all responsibility for any errors or omissions in the calculation and dissemination of the MSCI indices or the manner in which the MSCI indices are applied in determining the amount payable on the notes at maturity.

Prices and Exchange Rates

Prices. The prices used to calculate the MSCI indices are the official exchange closing prices or those figures accepted as such. MSCI reserves the right to use an alternative pricing source on any given day.

Exchange Rates. MSCI uses the closing spot rates published by WM/Reuters at 4:00 p.m., London time. MSCI uses WM/Reuters rates for all countries for which it provides indices. In case WM/Reuters does not provide rates for specific markets on given days (for example Christmas Day and New Year s Day), the previous business day s rates are normally used. MSCI independently monitors the exchange rates on all its indices and may, under exceptional circumstances, elect to use an alternative exchange rate if the WM/Reuters rates are not available, or if MSCI determines that the WM/Reuters rates are not reflective of market circumstances for a given currency on a particular day. In such circumstances, an announcement would be sent to clients with the related information. If appropriate, MSCI may conduct a consultation with the investment community to gather feedback on the most relevant exchange rate.

The iShares® MSCI Emerging Markets ETF

Description of the iShares® MSCI Emerging Markets Index ETF

The iShares® MSCI Emerging Markets Index ETF (the EEM) is an investment portfolio maintained and managed by iShares and advised by BFA. iShares is a registered investment company that consists of numerous separate investment portfolios, including the EEM. The shares of the EEM are listed and trade on the NYSE Arca under the ticker symbol EEM.

Information provided to or filed with the SEC by iShares pursuant to the Securities Act and the Investment Company Act can be located by reference to SEC file numbers 033-97598 and 811-09102, respectively, through the SEC s website at www.sec.gov.

Investment Objective and Strategy

The EEM seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the MSCI Emerging Markets Index (the MXEF). The MXEF was developed by MSCI to represent the performance of equity securities in selected emerging markets countries. The returns of the EEM may be affected by certain management fees and other expenses, which are detailed in its prospectus.

The EEM uses a representative sampling strategy (as described below under Representative Sampling) to try to track the MXEF. The EEM will at all times invest at least 90% of its assets in the securities of the MXEF and DRs representing securities of the MXEF, and may invest the remainder of its assets in securities not included in the MXEF, but which BFA believes will help the EEM track the MXEF. The EEM also may invest its futures contracts, options on futures contracts, options and swaps related to the MXEF, as well as cash and cash equivalents, including shares of money market funds affiliated with BFA or its affiliates.

Representative Sampling

The EEM pursues a representative sampling strategy in attempting to track the performance of the MXEF, and generally does not hold all of the equity securities held by the MXEF. The EEM invests in a representative sample of securities in the MXEF, which have a similar investment profile as the MXEF. Securities selected have aggregate investment characteristics (based on market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings valuation and yield) and liquidity measures similar to those of the MXEF.

Correlation

The MXEF is a theoretical financial calculation, while the EEM is an actual investment portfolio. The performance of the EEM and the MXEF may vary somewhat due to transaction costs, market impact, corporate actions (such as mergers and spin-offs), and timing variances. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called tracking error. The EEM, using a representative sampling indexing strategy, can be expected to have a greater tracking error than a Fund using a replication indexing strategy.

Industry Concentration Policy

The EEM will not concentrate its investments (i.e., hold 25% or more of its total assets) in a particular industry or group of industries, except that the EEM will concentrate its investments to approximately the same extent that the MXEF is so concentrated. For purposes of this limitation, securities of the U.S. government (including its agencies and instrumentalities), repurchase agreements collateralized by U.S. government securities, and securities of state or municipal governments and their political subdivisions are not considered to be issued by members of any industry.

Description of the MXEF

All information in this document regarding the MXEF, including, without limitation, its make-up, method of calculation and changes in its components, is derived from publicly available information. Such information reflects the policies of, and is subject to change by, MSCI. Neither we nor any of our affiliates has undertaken any independent review or due diligence of such information. MSCI owns the copyright and all other rights to the MXEF. MSCI has no obligation to continue to publish, and may discontinue publication of, the MXEF.

The MXEF offers a representation of emerging markets based on the following 24 emerging market countries: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, South Korea, Taiwan, Thailand, Turkey and the United Arab Emirates. With 832 constituents, the MXEF covers approximately 85% of the free float-adjusted market capitalization in each country. The MXEF has a base value of 100.00 and a base date of December 31, 1987. Beginning in June 2018, the MXEF includes shares traded on mainland Chinese exchanges, referred to as A shares. The MXEF is part of the MSCI Market Cap Weighted Indexes series and is an MSCI Global Investable Market Index. The MXEF is reported by Bloomberg L.P. under the ticker symbol MXEF.

The MXEF is part of the MSCI Regional Equity Indices series and is an MSCI Global Investable Market Index, which is a family within the MSCI International Equity Indices. See The iShares® MSCI EAFE ETF Description of the MXEA above for information about the MSCI Global Investable Market Indices.

THE iShares® MSCI Mexico ETF

Description of the iShares® MSCI Mexico ETF

The iShares® MSCI Mexico ETF (the EWW) is an investment portfolio maintained and managed by iShares and advised by BFA. iShares is a registered investment company that consists of numerous separate investment portfolios, including the EWW. The shares of the EWW are listed and trade on the NYSE Arca under the ticker symbol EWW.

Information provided to or filed with the SEC by iShares pursuant to the Securities Act and the Investment Company Act can be located by reference to SEC file numbers 033-97598 and 811-09102, respectively, through the SEC s website at www.sec.gov.

Investment Objective and Strategy

The EWW seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the MSCI Mexico IMI 25/50 Index. On February 12, 2013, the EWW began to track the MSCI Mexico IMI 25/50 Index. Prior to February 12, 2013, the EWW tracked the MSCI Mexico Investable Market Index. The MSCI Mexico Investable Market Index was developed by MSCI to represent the performance of the portion of the Mexican market that is available to international investors. The returns of the EWW may be affected by certain management fees and other expenses, which are detailed in its prospectus.

The MSCI Mexico IMI 25/50 Index was developed by MSCI as an equity benchmark for Mexican stock performance, and is designed to measure equity market performance in Mexico. The EWW uses a representative sampling strategy (as described below under Representative Sampling) to try to track the MSCI Mexico IMI 25/50 Index.

Representative Sampling

The EWW pursues a representative sampling strategy in attempting to track the performance of the MSCI Mexico IMI 25/50 Index, and generally does not hold all of the equity securities included in the MSCI Mexico IMI 25/50 Index. The EWW invests in a representative sample of securities in the MSCI Mexico IMI 25/50 Index, which have a similar investment profile as the MSCI Mexico IMI 25/50 Index. Securities selected have aggregate investment characteristics (based on market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings valuation and yield) and liquidity measures similar to those of the MSCI Mexico IMI 25/50 Index. The EWW will at all times invest at least 80% of its assets in the securities of the MSCI Mexico IMI 25/50 Index or in DRs representing securities of the MSCI Mexico IMI 25/50 Index. The EWW may invest the remainder of its assets in other securities, including securities not represented by the MSCI Mexico IMI 25/50 Index, but which BFA believes will help the EWW to track the MSCI Mexico IMI 25/50 Index, and in other investments, including futures contracts, options on futures contracts, other types of options and swaps related to the MSCI Mexico IMI 25/50 Index, as well as cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates.

Correlation

The MSCI Mexico IMI 25/50 Index is a theoretical financial calculation, while the EWW is an actual investment portfolio. The performance of the EWW and the MSCI Mexico IMI 25/50 Index will vary somewhat due to transaction costs, market impact, corporate actions (such as mergers and spin-offs) and timing variances. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called tracking error. The EWW, using a representative

sampling indexing strategy, can be expected to have a greater tracking error than a Fund using a replication indexing strategy.

Industry Concentration Policy

The EWW will concentrate its investments (i.e., hold 25% or more of its total assets) in a particular industry or group of industries only to approximately the same extent that the MSCI Mexico IMI 25/50 Index is so concentrated. For purposes of this limitation, securities of the U.S. government (including its agencies and instrumentalities), repurchase agreements collateralized by U.S. government securities, and securities of state or municipal governments and their political subdivisions are not considered to be issued by members of any industry.

Description of the MSCI Mexico IMI 25/50 Index and the MSCI Mexico Investable Market Index

The MSCI Mexico IMI 25/50 Index

The MSCI Mexico IMI 25/50 Index is designed to measure the performance of the large, mid and small cap segments of the Mexican market. It applies certain investment limits that are imposed on regulated investment companies, or RICs, under the U.S. Internal Revenue Code of 1986, as amended. With 60 constituents, the index covers approximately 99% of the free float-adjusted market capitalization in Mexico. The MSCI Mexico IMI 25/50 Index is calculated daily in the Mexican peso and published in real time every second during market trading hours. The MSCI Mexico IMI 25/50 Index is published by Bloomberg under the index symbol M1MX5IM.

Objectives and Guiding Principles Underlying the MSCI 25/50 Indices

Under current regulations, a Fund needs to satisfy certain tests, such as those relating to asset diversification and sources of income, for qualification as a regulated investment company or RIC. More specifically, one requirement of a RIC is that, at the end of each quarter of a RIC s tax year, no more than 25% of the value of the RIC s assets may be invested in a single issuer and the sum of the weights of all issuers representing more than 5% of the Fund should not exceed 50% of the Fund s total assets. The MSCI Mexico IMI 25/50 Index is part of the MSCI 25/50 Indices. The MSCI 25/50 Indices take into account these investments limits, offering a benchmarking alternative for RIC compliant funds.

The following principles have guided MSCI in designing a methodology for constructing the MSCI 25/50 Indices:

- the MSCI 25/50 Indices are rebalanced in February, May and August to ensure timely and on-going reflection of the 25% and 50% concentration constraints; and

- this rebalancing is achieved by using an optimization process that aims to minimize the constituent weight differences between the MSCI 25/50 Index and the relevant parent index. The active risk or the tracking error of an MSCI 25/50 Index versus the relevant parent index is measured as the distance between the constituent weights of that MSCI 25/50 Index and the relevant parent index.

Constructing and Rebalancing the MSCI 25/50 Indices

The MSCI 25/50 Index methodology follows a portfolio optimization framework. The Barra Optimizer is utilized to perform the optimization function, which is aimed at minimizing index turnover, tracking error and extreme deviation from the relevant parent index. The Barra Optimizer is an algorithm designed to facilitate the portfolio construction process.

The minimum weight of any MSCI 25/50 Index constituent is equal to the weight of the smallest constituent in the relevant parent index. A buffer of 10% of the value of each constituent is used in order to reduce the risk of non-compliance due to short term market movements between two quarterly rebalancing. As a result, at the point of constructing or rebalancing the MSCI 25/50 Indices, the weight of any single issuer cannot exceed 22.5% of the index weight and all issuers with weight above 4.5% cannot exceed 45% of the index weight.

The MSCI Mexico Investable Market Index

The MSCI Mexico Investable Market Index is a free float-adjusted market capitalization index of securities listed on the Mexican Stock Exchange. Component companies must meet objective criteria for inclusion in the MSCI Mexico Investable Market Index, taking into consideration unavailable strategic shareholdings and limitations on foreign ownership. The MSCI Mexico Investable Market Index is calculated daily in the local currency and published in real time every 15 seconds during market trading hours.

The MSCI Mexico Investable Market Index is part of the MSCI Global Equity Indices. MSCI aims to include in its indices 99% of the free float-adjusted market capitalization in each industry sector, within each country included in an index.

Constructing the MSCI Indices

MSCI undertakes an index construction process, which involves: (i) defining the equity universe; (ii) determining the market investable equity universe for each market; (iii) determining market capitalization size segments for each market; (iv) applying index continuity rules for that index; (v) creating style segments within each size segment within each market; and (vi) classifying securities under the GICS.

Maintenance of and Changes to the MSCI Indices

MSCI maintains the MSCI Indices with the objective of reflecting, on a timely basis, the evolution of the underlying equity markets and segments. In maintaining the MSCI Indices, emphasis is also placed on continuity, continuous investability of constituents, replicability, index stability and low turnover.

As part of the changes to MSCI s methodology which became effective in May 2008, maintenance of the indices falls into three broad categories:

- semi-annual reviews, which occur each May and November and involve a comprehensive reevaluation of the market, the universe of eligible securities and other factors involved in composing the indices;

- quarterly reviews, which occur each February and August and will focus on significant changes in the market since the last semi-annual review and on including significant new eligible securities (such as IPOs, which were not eligible for earlier inclusion in the indices); and

- ongoing event-related changes, which generally are reflected in the indices at the time of the event and include changes resulting from mergers, acquisitions, spin-offs, bankruptcies, reorganizations, issuances and other extraordinary transactions, corporate actions and events.

Based on these reviews, additional components may be added, and current components may be removed, at any time. MSCI generally announces all changes resulting from semi-annual reviews, quarterly reviews and ongoing events in advance of their implementation, although in exceptional cases they may be announced during market hours for same or next day implementation.

Prices and exchange rates

Prices

The prices used to calculate the MSCI Indices are the official exchange closing prices or those figures accepted as such. MSCI reserves the right to use an alternative pricing source on any given day.

Exchange rates

MSCI uses the foreign exchange rates published by WM/Reuters at 4:00 p.m., London time. MSCI uses WM/Reuters rates for all developed and emerging markets.

In case WM/Reuters does not provide rates for specific markets on given days (for example Christmas Day and New Year s Day), the previous business day s rates are normally used.

MSCI continues to monitor exchange rates independently and may, under exceptional circumstances, elect to use an alternative exchange rate if the WM/Reuters rates are not available, or if MSCI determines that the WM/Reuters rates are not reflective of market circumstances for a given currency on a particular day. In such circumstances, an announcement would be sent to clients with the related information. If appropriate, MSCI may conduct a consultation with the investment community to gather feedback on the most relevant exchange rate.

The iShares® Transportation Average ETF

Description of the iShares® Transportation Average ETF

The iShares® Transportation Average ETF (the IYT) is an investment portfolio maintained and managed by iShares Trust. BFA is the investment advisor to the IYT. The IYT is an exchange traded fund that trades on the NYSE Arca under the ticker symbol IYT.

iShares Trust is a registered investment company that consists of numerous separate investment portfolios, including the iShares® Transportation Average ETF. Information provided to or filed with the SEC by iShares® pursuant to the Securities Act and the Investment Company Act can be located by reference to SEC file numbers 333-92935 and 811-09729, respectively, through the SEC s web site at http://www.sec.gov.

Investment Objective and Strategy

The iShares® Transportation Average ETF seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the Dow Jones Transportation Average Index. The iShares® Transportation Average ETF generally invests at least 90% of its assets in securities of the Dow Jones Transportation Average Index and DRs representing securities of the Dow Jones Transportation Average Index. The iShares® Transportation Average ETF may invest the remainder of its assets in securities not included in its Dow Jones Transportation Average Index but which BFA believes will help the iShares® Transportation Average ETF track the Dow Jones Transportation Average Index, and in futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or affiliates.

The IYT uses a representative sampling strategy (as described below under Representative Sampling) to track the Dow Jones Transportation Average Index. In addition, in order to improve its portfolio liquidity and its ability to track the Dow Jones Transportation Average Index, the IYT may invest up to 10% of its assets in futures contracts, options on futures contracts, other types of options, and swaps related to the index as well as cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates. The returns of the IYT may be affected by certain management fees and other expenses, which are detailed in its prospectus.

Representative Sampling

The IYT pursues a representative sampling indexing strategy in attempting to track the performance of the Dow Jones Transportation Average Index, and generally does not hold all of the equity securities included in the IYT. The IYT invests in a representative sample of securities in the Dow Jones Transportation Average Index. Securities selected have aggregate investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the Dow Jones Transportation Average Index.

Correlation

The Dow Jones Transportation Average Index is a theoretical financial calculation, while the IYT is an actual investment portfolio. The performance of the IYT and the Dow Jones Transportation Average Index will vary somewhat due to transaction costs, non-U.S. currency valuations, asset valuations, corporate actions (such as mergers and spin-offs), timing variances and differences between the IYT s portfolio and the Dow Jones Transportation Average Index resulting from IYT s use of representative sampling or from legal restrictions (such as diversification requirements) that apply to the ITY but not to the Dow Jones Transportation Average Index. BFA expects that, over time, the correlation between the IYT s performance and that of the Dow Jones Transportation Average Index, before fees

and expenses, will be 95% or better. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called tracking error. The IYT, using a representative sampling indexing strategy, can be expected to have a greater tracking error than a Fund using a replication indexing strategy.

Industry Concentration Policy

The IYT concentrates (i.e., hold 25% or more of its total assets) its investments to approximately the same extent that the Dow Jones Transportation Average Index concentrates in the stocks of the transportation industry. For purposes of this limitation, securities of the U.S. government (including its agencies and instrumentalities) and repurchase agreements collateralized by U.S. government securities are not considered to be issued by members of any industry.

Description of the Dow Jones Transportation Average Index

The Dow Jones Transportation Average Index is a 20-stock price-weighted index that represents the stock performance of large, well-known U.S. companies within the transportation industry. It is considered the oldest U.S. stock index and was formerly known as the Dow Jones Railroad Average, originally consisting of nine railroad companies and two non-railroad companies. Union Pacific is the only remaining original stock. The Dow Jones Transportation Average Index now includes companies in the following groups: airlines, trucking, railroads, air freight, transportation services and industrial services.

Index Methodology

The Dow Jones Transportation AverageSM is a part of the Dow Jones Composite AverageSM. The Dow Jones Transportation AverageSM was first calculated on October 26, 1896. Stock selection for the Dow Jones Transportation AverageSM is not governed by qualitative rules, and a stock is only added if the company has an excellent reputation, demonstrates sustained growth and is of interest to a large number of investors. Components are added and deleted on an as-needed basis. For the sake of continuity, such changes are rare, and typically occur following corporate acquisitions or other significant changes in a component company s core business.

The iShares® U.S. Real Estate ETF

Description of the iShares® U.S. Real Estate ETF

The iShares® U.S. Real Estate ETF (the IYR) is an investment portfolio maintained and managed by iShares® Trust. BFA is currently the investment adviser to the IYR. The IYR is an exchange-traded fund that trades on the NYSE Arca under the ticker symbol IYR.

iShares Trust is a registered investment company that consists of numerous separate investment portfolios, including the IYR. Information provided to or filed with the SEC by iShares® Trust pursuant to the Securities Act and the Investment Company Act can be located by reference to SEC file numbers 333-92935 and 811-09729, respectively, through the SEC s website at http://www.sec.gov.

Investment Objective and Strategy

The IYR seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of real estate sector of the U.S. equity market, as represented by the Dow Jones U.S. Real Estate IndexSM. Thus, the IYR is concentrated in the U.S. real estate industry. The returns of the IYR may be affected by certain management fees and other expenses, which are detailed in its prospectus. The Dow Jones U.S. Real Estate IndexSM is calculated, maintained and published by S&P.

Representative Sampling

The IYR pursues a representative sampling indexing strategy in attempting to track the performance of the Dow Jones U.S. Real Estate IndexSM, and generally does not hold all of the equity securities included in the Dow Jones U.S. Real Estate IndexSM. The IYR invests in a representative sample of securities in the Dow Jones U.S. Real Estate IndexSM, which have a similar investment profile as the Dow Jones U.S. Real Estate IndexSM. Securities selected have aggregate investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the Dow Jones U.S. Real Estate IndexSM.

The IYR generally invests at least 90% of its assets in securities in the Dow Jones U.S. Real Estate IndexSM and in DRs representing securities of the Dow Jones U.S. Real Estate IndexSM. The IYR may invest the remainder of its assets in securities not included in the Dow Jones U.S. Real Estate IndexSM, but which BFA believes will help the IYR track the Dow Jones U.S. Real Estate IndexSM, and in futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates.

Correlation

The Dow Jones U.S. Real Estate IndexSM is a theoretical financial calculation, while the IYR is an actual investment portfolio. The performance of the IYR and the Dow Jones U.S. Real Estate IndexSM will vary somewhat due to transaction costs, market impact, corporate actions (such as mergers and spin-offs) and timing variances. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called tracking error. The IYR, using a representative sampling strategy, can be expected to have a greater tracking error than a Fund using a replication strategy.

Industry Concentration Policy

The iShares® Dow Jones U.S. Real Estate Index Fund will concentrate (i.e., hold 25% or more of its total assets) its investments to approximately the same extent that the Dow Jones U.S. Real Estate IndexSM concentrates in the stocks of the real estate industry. For purposes of this limitation, securities of the U.S. government (including its agencies and instrumentalities), repurchase agreements collateralized by U.S. government securities, and securities of state or municipal governments and their political subdivisions are not considered to be issued by members of any industry.

Description of the Dow Jones U.S. Real Estate IndexSM

The Dow Jones U.S. Real Estate IndexSM is a float-adjusted capitalization-weighted, real-time index that provides a broad measure of the U.S. real estate securities market. The index consists primarily of REITs, but also of other companies that invest directly or indirectly in real estate through development, management or ownership, including property agencies. Because the components are traded in the stock market, index pricing is transparent, and the data is readily accessible. The Dow Jones U.S. Real Estate IndexSM uses REIT prices as proxies for market valuations of U.S. commercial property (i.e. hotels, office buildings, industrial sites, shopping centers, and apartment complexes). REIT price dynamics closely mirror changing trends in leasing rates for commercial property, as well as movements in commercial real estate valuations arising from vacancies, development costs and property transaction values. In addition, the index measures in part the level of pure speculation in the real estate (REIT) market by gauging liquid exposure to real estate securities that do not require ownership of actual properties.

Methodology Overview

The Dow Jones U.S. Real Estate IndexSM is a subset of the Dow Jones U.S. IndexSM, which covers 95% of U.S. securities based on float-adjusted market capitalization. Excluded from the Dow Jones U.S. IndexSM are the smallest and least liquid of U.S. stocks. The index composition is reviewed quarterly in March, June, September and December. The index is also reviewed on an ongoing basis to account for corporate actions such as mergers, delistings and bankruptcies. Calculation of the Dow Jones U.S. Real Estate IndexSM began on February 14, 2000. Real index history is available daily from this date forward.

The VanEck Vectors® Gold Miners ETF

Description of the VanEck Vectors® Gold Miners ETF

The VanEck Vectors® Gold Miners ETF (the GDX) is an investment portfolio maintained and managed by VanEck VectorsTM ETF Trust (the VanEck Vectors Trust). Van Eck Associates Corporation (Van Eck) is the investment adviser to the GDX. The GDX is an exchange-traded fund that trades on the NYSE Arca under the ticker symbol GDX.

Information provided to or filed with the SEC by the VanEck Vectors Trust pursuant to the Securities Act and the Investment Company Act can be located by reference to SEC file numbers 333-123257 and 811-10325, respectively, through the SEC s website at http://www.sec.gov.

Investment Objective and Strategy

The GDX seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the NYSE Arca Gold Miners Index (the GDM). The GDM, calculated by NYSE Arca, is a modified market capitalization-weighted index consisting of common stocks and ADRs of publicly traded companies involved primarily in mining for gold and silver.

The GDX normally invests at least 80% of its total assets in common stocks and ADRs of companies involved in the gold and silver mining industry. The GDX s 80% investment policy is non-fundamental and requires 60 days prior written notice to shareholders before it can be changed. The GDX, using a passive or indexing investment approach, attempts to approximate the investment performance of the GDM by investing in a portfolio of securities that generally replicates the GDM. The returns of the GDX may be affected by certain management fees and other expenses, which are detailed in its prospectus. Van Eck expects that, over time, the correlation between the GDX s performance and that of the GDM before fees and expenses will be 95% or better. A figure of 100% would indicate perfect correlation.

The GDX may choose to concentrate its investments in a particular industry or group of industries to the extent that the GDM concentrates in an industry or group of industries.

Correlation

The GDM is a theoretical financial calculation, while the GDX is an actual investment portfolio. The performance of the GDX and the GDM will vary somewhat due to transaction costs, market impact, corporate actions (such as mergers and spin-offs) and timing variances. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called tracking error. The GDX, using a passive or indexing investment approach, can be expected to have a greater tracking error than a Fund using a replication indexing strategy.

Description of the NYSE Arca Gold Miners Index

The NYSE Arca Gold Miners Index (the GDM) was developed by the NYSE Amex (formerly the American Stock Exchange) and is calculated, maintained and published by the NYSE Arca. The GDM is reported by Bloomberg under the ticker symbol GDM. The index benchmark was 500.00 at the close of trading on December 20, 2002.

Objectives and Guiding Principles Underlying the GDM

The GDM is a modified market capitalization weighted index comprised of publicly traded companies involved primarily in the mining of gold or silver. The GDM includes common stocks, ADRs or GDRs of selected companies that are involved in mining for gold and silver and that are listed for trading and electronically quoted on a major stock market that is accessible by foreign investors. Generally, this includes exchanges in most developed markets and major emerging markets, and includes companies that are cross-listed, i.e., both U.S. and Canadian listings. NYSE Arca will use its discretion to avoid exchanges and markets that are considered frontier in nature or have major restrictions to foreign ownership. The index includes companies that derive at least 50% of their revenues from gold mining and related activities (40% for companies that are already included in the index). Also, the index will maintain an exposure to companies with a significant revenue exposure to silver mining in addition to gold mining, which will not exceed 20% of the index weight at each rebalance. Only companies with market capitalization greater than $750 million that have a daily average trading volume of at least 50,000 shares and an average daily value traded of at least $1 million over the past three months are eligible for inclusion in the GDM. Starting in December 2013, for companies already included in the index, the market capitalization requirement at each rebalance will be $450 million, the average daily volume requirement will be at least 30,000 shares over the past three months and the average daily value traded requirement will be at least $600,000 over the past three months. NYSE Arca has the discretion to not include all companies that meet the minimum criteria for inclusion.

Index Calculation

The GDM is calculated on a price return basis using a modified market capitalization weighting methodology divided by a divisor. The divisor was determined on the initial capitalization base of the index at the base level and may be adjusted as a result of corporate actions and composition changes. The GDM is weighted based on the market capitalization of each of the component securities, modified to conform to the following asset diversification requirements, which are applied in conjunction with the scheduled quarterly adjustments to the GDM:

i. the weight of any single component security may not account for more than 20% of the total value of the GDM;

ii. the component securities are split into two subgroups-large and small, which are ranked by market capitalization weight in the GDX. Large stocks are defined as having an index weight greater than or equal to 5%. Small stocks are defined as having an index weight below 5%; and

iii. the aggregate weight of those component securities which individually represent more than 4.5% of the total value of the GDM may not account for more than 45% of the total GDM value.

The GDM is reviewed quarterly so that the GDM components continue to represent the universe of companies involved in the gold and silver mining industry. The NYSE Arca may at any time and from time to time change the number of securities comprising the group by adding or deleting one or more securities, or replacing one or more securities contained in the group with one or more substitute securities of its choice, if in the NYSE Arca s discretion such addition, deletion or substitution is necessary or appropriate to maintain the quality and/or character of the GDM. Changes to the GDM compositions and/or the component share weights in the GDM typically take effect after the close of trading on the third Friday of each calendar quarter month in connection with the quarterly index rebalance.

At the time of the quarterly rebalance, the weights for the components stocks (taking into account expected component changes and share adjustments), are modified in accordance with the following procedures.

Diversification Rule 1: If any component stock exceeds 20% of the total value of the GDM, then all stocks greater than 20% of the GDM are reduced to represent 20% of the value of the GDM. The aggregate amount by which all component stocks are reduced is redistributed proportionately across the remaining stocks that represent less than 20% of the index value. After this redistribution, if any other stock then exceeds 20%, the stock is set to 20% of the index value and the redistribution is repeated.

Diversification Rule 2: The components are sorted into two groups, large are components with a starting index weight of 5% or greater and small are those that are under 5% (after any adjustments for Diversification Rule 1). The large group will represent in the aggregate 45% and the small group will represent 55% in the aggregate of the final index weight. This will be adjusted through the following process: The weight of each of the large stocks will be scaled down proportionately with a floor of 5% so that the aggregate weight of the large components will be reduced to represent 45% of the GDM. If any component stock falls below a weight equal to the product of 5% and the proportion by which the stocks were scaled down following this distribution, then the weight of the stock is set equal to the product of 5% and the proportion by which the stocks were scaled down, the components with weights greater than 5% will reduced proportionately. The weight of each of the small components will be scaled up proportionately from the redistribution of the large components. If any component stock exceeds a weight equal to the product of 4.5% and the proportion by which the stocks were scaled down following this distribution, then the weight of the stock is set equal to the product of 4.5% and the proportion by which the stocks were scaled down. The redistribution of weight to the remaining stocks is repeated until the entire amount has been redistributed.

Index Maintenance

The GDM is reviewed quarterly to ensure that at least 90% of the index weight is accounted for by index components that continue to meet the initial eligibility requirements. Components will be removed from the GDM during the quarterly review if either (1) the market capitalization falls below $450 million or (2) the traded average daily shares for the previous three months is less than 30,000 shares and the average daily traded value for the previous three months is less than $600,000. In conjunction with the quarterly review, the share weights used in the calculation of the GDM are determined based upon current shares outstanding modified, if necessary, to provide greater index diversification, as described above. The index components and their share weights are determined and announced prior to taking effect. The share weight of each component stock in the index portfolio remains fixed between quarterly reviews except in the event of certain types of corporate actions such as stock splits, reverse stock splits, stock dividends, or similar events. The share weights used in the index calculation are not typically adjusted for shares issued or repurchased between quarterly reviews. However, in the event of a merger between two components, the share weight of the surviving entity may be adjusted to account for any stock issued in the acquisition. The NYSE Arca may substitute stocks or change the number of stocks included in the GDM, based on changing conditions in the industry or in the event of certain types of corporate actions, including mergers, acquisitions, spin-offs, and reorganizations. In the event of component or share weight changes to the index portfolio, the payment of dividends other than ordinary cash dividends, spin-offs, rights offerings, re-capitalization, or other corporate actions affecting a component stock of the GDM; the index divisor may be adjusted to ensure that there are no changes to the index price as a result of non-market forces.

The PowerShares QQQ TrustSM, Series 1

Description of the PowerShares QQQ TrustSM, Series 1

The PowerShares QQQ TrustSM, Series 1 is an unit investment trust created pursuant to a trust indenture and agreement dated as of March 4, 1999, as amended to date, and is governed by a standard terms and conditions of trust between The Bank of New York Mellon, as trustee, and Nasdaq Global Funds, the predecessor sponsor to Invesco PowerShares Capital Management LLC, dated and executed as of March 1, 1999, as amended to date. The PowerShares QQQ TrustSM, Series 1 was created to provide investors with the opportunity to purchase units of beneficial interest in the PowerShares QQQ TrustSM, Series 1 representing proportionate undivided interests in the portfolio of securities held by the PowerShares QQQ TrustSM, Series 1, which consists of substantially all of the securities, in substantially the same weighting, as the component securities of the Nasdaq-100 Index® (the NDX).

Information filed by the PowerShares QQQ TrustSM, Series 1 with the SEC pursuant to the Exchange Act can be located by reference to the SEC file numbers 333-61001 and 811-08947, respectively on the SEC s website at http://www.sec.gov.

The PowerShares QQQ TrustSM, Series 1 issues securities called PowerShares QQQ Index Tracking Stock (the PowerShares QQQ Shares), which are listed for trading on the Nasdaq Global Market tier of Nasdaq under the symbol QQQ.

Investment Objective and Strategy

The PowerShares QQQ TrustSM, Series 1 is a registered investment company which both (a) continuously issues and redeems in kind its shares, known as PowerShares QQQ Shares only in large lot sizes called creation units at their once daily net asset value and (b) lists the shares individually for trading on Nasdaq at prices established throughout the trading day, like any other listed equity security trading in the secondary market on Nasdaq. The PowerShares QQQ Shares held by the PowerShares QQQ TrustSM, Series 1 consist of a portfolio of equity securities or, in the case of securities not yet delivered in connection with purchases made by the trust or portfolio deposits, confirmations of contracts to purchase such securities (collectively, the Portfolio). The investment objective of the PowerShares QQQ TrustSM, Series 1 is to provide investment results that generally correspond to the price and yield performance of the NDX by holding all the stocks comprising the NDX. The returns of the PowerShares QQQ TrustSM, Series 1 may be affected by certain management fees and other expenses, which are detailed in its prospectus.

The PowerShares QQQ TrustSM, Series 1, which holds the portfolio and cash, is not actively managed by traditional methods, which typically involve effecting changes in the portfolio on the basis of judgments made relating to economic, financial and market considerations. To maintain the correspondence between the composition and

weights of the securities in the PowerShares QQQ TrustSM, Series 1 and the stocks in the NDX, the trustee adjusts the securities from time to time to conform to periodic changes in the identity and/or relative weights of the securities. The composition and weighting of the securities portion of a portfolio deposit are also adjusted to conform to changes in the NDX.

The sponsor of the PowerShares QQQ TrustSM, Series 1 makes available on each business day a list of the names and the required number of shares for each of the securities in the current portfolio deposit. The sponsor may choose within its discretion to make available, frequently throughout each business day, a number representing, on a per PowerShares QQQ Share basis, the sum of the income net of expense amount effective through and including the previous business day plus the current value of the securities portion of a portfolio deposit as in effect on such day (which value will occasionally include a cash-in-lieu amount to compensate for the omission of a particular index security from such portfolio deposit). The Nasdaq Stock Market calculates the NDX intra-day every 15 seconds on every business day in which the Nasdaq Stock Market is open for trading. If the sponsor elects to make such information available, it would be calculated based upon the best information available to the sponsor and may be calculated by other persons designated to do so by the sponsor. If the sponsor fails to make such information available, the inability of the sponsor or its designee to provide such information for any period of time will not in itself result in a halt in the trading of PowerShares QQQ Shares on Nasdaq. If such information is made available, investors interested in creating PowerShares QQQ Shares or purchasing PowerShares QQQ Shares in the secondary market should not rely solely on such information in making investment decisions but should also consider other market information and relevant economic and other factors.

The returns of the QQQ may be affected by certain management fees and other expenses, which are detailed in its prospectus.

Description of the Nasdaq-100 Index®

The NDX is calculated and maintained by Nasdaq, Inc. (Nasdaq). The NDX includes 100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization. The NDX reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies.

Launched in January 1985, the NDX represents the largest non-financial domestic and international securities listed on The Nasdaq Stock Market based on market capitalization. The NDX is calculated under a modified capitalization-weighted methodology. The methodology is expected to retain in general the economic attributes of capitalization-weighting while providing enhanced diversification. To accomplish this, Nasdaq reviews the composition of the NDX on a quarterly basis and adjusts the weightings of NDX components using a proprietary algorithm, if certain pre-established weight distribution requirements are not met.

Eligibility Criteria

To be eligible for initial inclusion in the NDX, a security must meet the following criteria:

- the issuer of the security s primary U.S. listing must be exclusively listed on the Nasdaq Global Select Market or the Nasdaq Global Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such

listing);

- a security must be issued by a non-financial company;

- a security may not be issued by an issuer currently in bankruptcy proceedings;

- a security must have average daily trading volume of at least 200,000 shares;

- if the issuer of the security is organized under the laws of a jurisdiction outside the U.S., then such security must have listed options on a recognized options market in the U.S. or be eligible for listed-options trading on a recognized options market in the U.S.;

- the issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being eligible;

- the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn; and

- the security must have seasoned on Nasdaq, NYSE or NYSE Amex. Generally, a company is considered to be seasoned if it has been listed on a market for at least three full months (excluding the first month of initial listing).

Security types generally eligible for the NDX include common stocks, ordinary shares, ADRs, and tracking stocks. Security or company types not included in the NDX are closed-end funds, convertible debentures, exchange traded funds, limited liability companies, limited partnership interests, preferred stocks, rights, shares or units of beneficial interest, warrants, units and other derivative securities. The NDX does not contain securities of investment companies.

There is no minimum market capitalization requirement. Inclusion will be determined based on the top 100 largest issuers based on market capitalization meeting all other eligibility requirements. Market capitalization is determined by multiplying a security s last sale price by its total shares outstanding.

To be eligible for continued inclusion in the NDX, a security must continue to meet similar criteria as outlined above.

Index Evaluation

Except under extraordinary circumstances that may result in an interim evaluation, NDX composition is reviewed on an annual basis as follows. Issuer securities which meet the applicable eligibility criteria are ranked by market value. NDX-eligible securities which are already in the NDX and whose issuer is ranked in the

top 100 eligible companies (based on market capitalization) are retained in the NDX. An index issuer that is ranked 101 to 125 is also retained, provided that such issuer was ranked in the top 100 eligible issuers as of the previous ranking review or was added to the NDX subsequent to the previous ranking review. NDX issuers not meeting such criteria are replaced. The replacement securities chosen are those NDX-eligible securities not currently in the NDX whose issuers have the largest market capitalization. The data used in the ranking includes end of October market data and is updated for total shares outstanding submitted in a publicly filed SEC document via EDGAR through the end of November.

Replacements are made effective after the close of trading on the third Friday in December. Moreover, if at any time during the year other than the ranking review, an issuer no longer meets the continued eligibility criteria, or is otherwise determined to have become ineligible for continued inclusion in the NDX, it is replaced with the largest market capitalization issuer not currently in the NDX and meeting the initial eligibility criteria listed above.

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure NDX integrity including but not limited to quantitative inclusion criteria. Nasdaq may also, due to special circumstances, if deemed essential, apply discretionary adjustments to ensure and maintain the quality of the index construction and calculation.

Index Calculation

The NDX is a modified market capitalization-weighted index. The value of the NDX equals the aggregate value of the NDX share weights, also known as the Index Shares, of each of the index securities multiplied by each such security s last sale price, and divided by the divisor of the NDX. 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 Select Sector SPDR® Funds

All information contained in this underlying supplement regarding the Select Sector SPDR® Funds set forth in the table below (each, a Select Sector SPDR® Fund and collectively, the Select Sector SPDR® Funds) has been derived from publicly available information, without independent verification. This information reflects the policies of, and is subject to change by The Select Sector SPDR® Trust (the Select Sector Trust) and SSGA Funds Management, Inc. (SSGA FM). Each Select Sector SPDR® Fund is an investment portfolio managed by SSGA FM, the investment adviser to the Select Sector SPDR® Funds. Each Select Sector SPDR® Fund is an exchange-traded fund that trades on the NYSE Arca under the ticker symbol set forth in the table below. Each Select Sector SPDR® Fund seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of publicly traded equities securities of companies included in a Select Sector Index, as specified in the table below. The companies included in each Select Sector Index are selected on the basis of their sector classifications under the GICS from a universe of companies defined by the S&P 500® Index. As of the close of business on September 21, 2018, S&P and MSCI, Inc. updated the GICS structure. Among other things, the update broadened the Telecommunications Services sector and renamed it the Communication Services sector. The renamed sector includes the previously existing Telecommunication Services Industry group, as well as the Media Industry group, which was moved from the Consumer Discretionary sector and renamed the Media & Entertainment Industry group. The Media & Entertainment Industry group contains three industries: Media, Entertainment and Interactive Media & Services. The Media industry continues to consist of the Advertising, Broadcasting, Cable & Satellite and Publishing sub-industries. The Entertainment industry contains the Movies & Entertainment sub-industry (which includes online entertainment streaming companies in addition to companies previously classified in such industry prior to September 21, 2018) and the Interactive Home Entertainment sub-industry (which includes companies previously classified in the Home Entertainment Software sub-industry prior to September 21, 2018 (when the Home Entertainment Software sub-industry was a sub-industry in the Information Technology sector), as well as producers of interactive gaming products, including mobile gaming applications). The Interactive Media & Services industry and sub-industry includes companies engaged in content and information creation or distribution through proprietary platforms, where revenues are derived primarily through pay-per-click advertisements, and includes search engines, social media and networking platforms, online classifieds and online review companies. The GICS structure changes were effective for the S&P 500® Index as of the open of business on September 24, 2018 to coincide with the September 2018 quarterly rebalancing. The Select Sector Indices upon which the Select Sector SPDR® Funds are based together comprise all of the companies in the S&P 500® Index.

Select Sector SPDR® Fund	**Bloomberg Ticker**	**Select Sector Index**
Communication Services Select Sector SPDR® Fund	XLC	Communication Services Select Sector Index
Consumer Discretionary Select Sector SPDR® Fund	XLY	Consumer Discretionary Select Sector Index
Consumer Staples Select Sector SPDR® Fund	XLP	Consumer Staples Select Sector Index
Energy Select Sector SPDR® Fund	XLE	Energy Select Sector Index
Financial Select Sector SPDR® Fund	XLF	Financial Select Sector Index
Health Care Select Sector SPDR® Fund	XLV	Health Care Select Sector Index
Industrial Select Sector SPDR® Fund	XLI	Industrial Select Sector Index
Materials Select Sector SPDR® Fund	XLB	Materials Select Sector Index
Real Estate Select Sector SDPR® Fund	XLRE	Real Estate Select Sector Index
Technology Select Sector SPDR® Fund	XLK	Technology Select Sector Index

Utilities Select Sector SPDR® Fund	XLU	Utilities Select Sector Index

Each Select Sector SPDR® Fund employs a replication strategy in seeking to track the performance of the relevant Select Sector Index. This means that each Select Sector SPDR® Fund typically invests in substantially all of the securities represented in the relevant Select Sector Index in approximately the same proportions as that Select Sector Index. However, under various circumstances, it may not be possible or practical to purchase all of the securities in the relevant Select Sector Index for a Select Sector SPDR® Fund, or amounts of such securities in proportion to their weighting in the relevant Select Sector Index, such as when there are practical difficulties or substantial costs involved in compiling a portfolio of securities to follow the relevant Select Sector Index; in instances when a security in the I relevant Select Sector Index becomes temporarily illiquid, unavailable or less liquid; or due to legal restrictions (such as diversification requirements that apply to a Select Sector SPDR® Fund but not the relevant Select Sector Index). Under such circumstances, SSGA FM intends to employ a sampling strategy in managing the Select Sector SPDR® Funds. Sampling means that SSGA FM will use quantitative analysis to select securities, including securities in the relevant Select Sector Index, outside of the relevant Select Sector Index and derivatives that have a similar investment profile as the relevant Select Sector Index in terms of key risk factors, performance attributes and other economic characteristics. These include industry weightings, market capitalization and other financial characteristics of securities. While SSGA FM seeks to track the performance of the relevant Select Sector Index (i.e., achieve a high degree of correlation with the relevant Select Sector Index), each Select Sector SPDR® Fund s return may not match the return of the relevant Select Sector Index. Each Select Sector SPDR® Fund incurs a number of operating expenses not applicable to the relevant Select Sector Index and incurs costs in buying and selling securities. In addition, a Select Sector SPDR® Fund may not be fully invested at times, generally as a result of cash flows into or out of that Select Sector SPDR® Fund or reserves of cash held by that Select Sector SPDR® Fund to meet redemptions. The Select Sector Trust is a registered investment company that consists of a separate investment portfolio for each of the Select Sector SPDR® Funds. Information provided to or filed with the SEC by the Select Sector Trust pursuant to the Securities Act and the Investment Company Act can be located by reference to SEC file numbers 333-57791 and 811-08837, respectively, through the SEC s website at http://www.sec.gov. For additional information regarding the Select Sector Trust or the Select Sector SPDR® Funds, please see the Select Sector

SPDR® Funds prospectus. In addition, information about the Select Sector Trust, SSGA FM and the Select Sector SPDR® Funds may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents and the Select Sector Trust website at http://www.sectorspdrs.com. Information contained in the Select Sector Trust website is not incorporated by reference in, and should not be considered a part of, this underlying supplement or the relevant terms supplement.

The S&P Select Sector Indices

Each of the Communication Services Select Sector Index, the Consumer Discretionary Select Sector Index, the Consumer Staples Select Sector Index, the Energy Select Sector Index, the Financials Select Sector Index, the Health Care Select Sector Index, the Industrials Select Sector Index, the Materials Select Sector Index, the Real Estate Select Sector Index, the Technology Select Sector Index and the Utilities Select Sector Index is a Select Sector Index. The constituents included in each Select Sector Index are all members of the S&P 500® Index. Each constituent of the S&P 500® Index is assigned to one Select Sector Index. S&P assigns constituents to a Select Sector Index based on the constituent s classification under the GICS. As of the close of business on September 21, 2018, S&P and MSCI, Inc. updated the GICS structure. Among other things, the update broadened the Telecommunications Services sector and renamed it the Communication Services sector. The renamed sector includes the previously existing Telecommunication Services Industry group, as well as the Media Industry group, which was moved from the Consumer Discretionary sector and renamed the Media & Entertainment Industry group. The Media & Entertainment Industry group contains three industries: Media, Entertainment and Interactive Media & Services. The Media industry continues to consist of the Advertising, Broadcasting, Cable & Satellite and Publishing sub-industries. The Entertainment industry contains the Movies & Entertainment sub-industry (which includes online entertainment streaming companies in addition to companies previously classified in such industry prior to September 21, 2018) and the Interactive Home Entertainment sub-industry (which includes companies previously classified in the Home Entertainment Software sub-industry prior to September 21, 2018 (when the Home Entertainment Software sub-industry was a sub-industry in the Information Technology sector), as well as producers of interactive gaming products, including mobile gaming applications). The Interactive Media & Services industry and sub-industry includes companies engaged in content and information creation or distribution through proprietary platforms, where revenues are derived primarily through pay-per-click advertisements, and includes search engines, social media and networking platforms, online classifieds and online review companies. The GICS structure changes were effective for the S&P 500® Index as of the open of business on September 24, 2018 to coincide with the September 2018 quarterly rebalancing. For additional information about the S&P 500® Index, see The SPDR® S&P 500® ETF Trust Description of the S&P 500® Index in this underlying supplement.

The Communication Services Select Sector Index

The Communication Services Select Sector Index is designed to measure the performance of the GICS® communication services sector, which includes companies that facilitate communication and offer related content and information through various mediums. It includes telecom and media & entertainment companies including producers of interactive gaming products and companies engaged in content and information creation or distribution through proprietary platforms. The Communication Services Select Sector Index is reported by Bloomberg L.P. under the ticker symbol IXCPR.

The Consumer Discretionary Select Sector Index

The Consumer Discretionary Select Sector Index is designed to measure the performance of the GICS® consumer discretionary sector, which encompasses those businesses that tend to be the most sensitive to economic cycles. Its manufacturing segment includes automotive, household durable goods, leisure equipment and textiles & apparel. The services segment includes hotels, restaurants and other leisure facilities, media production and services, and consumer retailing and services. The Consumer Discretionary Select Sector Index is reported by Bloomberg L.P. under the ticker symbol IXY.

The Consumer Staples Select Sector Index

The Consumer Staples Select Sector Index is designed to measure the performance of the GICS® consumer staples sector, which comprises companies whose businesses are less sensitive to economic cycles. It includes manufacturers and distributors of food, beverages and tobacco and producers of non-durable household goods and personal products. It also includes food & drug retailing companies as well as hypermarkets and consumer super centers. The Consumer Staples Select Sector Index is reported by Bloomberg L.P. under the ticker symbol IXR.

The Energy Select Sector Index

The Energy Select Sector Index is designed to measure the performance of the GICS® energy sector, which comprises companies engaged in exploration & production, refining & marketing, and storage & transportation of oil & gas and coal & consumable fuels. It also includes companies that offer oil & gas equipment and services. The Energy Select Sector Index is reported by Bloomberg L.P. under the ticker symbol IXE.

The Financials Select Sector Index

The Financials Select Sector Index is designed to measure the performance of the GICS® financials sector, which contains companies involved in banking, thrifts & mortgage finance, specialized finance, consumer finance, asset management and custody banks, investment banking and brokerage and insurance. It also includes Financial Exchanges & Data and Mortgage REITs. The Financials Select Sector Index is reported by Bloomberg L.P. under the ticker symbol IXM.

The Health Care Select Sector Index

The Health Care Select Sector Index is designed to measure the performance of the GICS® health care sector, which includes health care providers & services, companies that manufacture and distribute health care equipment & supplies, and health care technology companies. It also includes companies involved in the research, development, production and marketing of pharmaceuticals and biotechnology products. The Health Care Select Sector Index is reported by Bloomberg L.P. under the ticker symbol IXV.

The Industrials Select Sector Index

The Industrials Select Sector Index is designed to measure the performance of the GICS® industrials sector, which includes manufacturers and distributors of capital goods such as aerospace & defense, building products, electrical equipment and machinery and companies that offer construction & engineering services. It also includes providers of commercial & professional services including printing, environmental and

facilities services, office services & supplies, security & alarm services, human resource & employment services, research & consulting services. It also includes companies that provide transportation services. The Industrials Select Sector Index is reported by Bloomberg L.P. under the ticker symbol IXI.

The Technology Select Sector Index

The Technology Select Sector Index is designed to measure the performance of the GICS® information technology sector, which comprises companies that offer software and information technology services, manufacturers and distributors of technology hardware & equipment such as communications equipment, cellular phones, computers & peripherals, electronic equipment and related instruments, and semiconductors. The Technology Select Sector Index is reported by Bloomberg L.P. under the ticker symbol IXT.

The Materials Select Sector Index

The Materials Select Sector Index is designed to measure the performance of the GICS® materials sector, which includes companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products, and metals, minerals and mining companies, including producers of steel. The Materials Select Sector Index is reported by Bloomberg L.P. under the ticker symbol IXB.

The Real Estate Select Sector Index

The Real Estate Select Sector Index is designed to measure the performance of the GICS® real estate sector, which contains companies engaged in real estate development and operation. It also includes companies offering real estate related services and REITs. The Real Estate Select Sector Index is reported by Bloomberg L.P. under the ticker symbol IXRE.

The Utilities Select Sector Index

The Utilities Select Sector Index is designed to measure the performance of the GICS® utilities sector, which comprises utility companies such as electric, gas and water utilities. It also includes independent power producers & energy traders and companies that engage in generation and distribution of electricity using renewable sources. The Utilities Select Sector Index is reported by Bloomberg L.P. under the ticker symbol IXU.

Select Sector Index Capping Methodology

For reweighting purposes, the Select Sector Indices are rebalanced quarterly after the close of business on the third Friday of March, June, September and December using the following procedures:

1. The rebalancing reference date is the second Friday of March, June, September and December.

2. With prices reflected on the rebalancing reference date, and membership, shares outstanding and IWFs as of the rebalancing effective date, each company is weighted by float-adjusted market capitalization. Modifications are made as defined below.

3. If any company has a weight greater than 24%, the company s float-adjusted market capitalization weight is capped at 23%, which allows for a 2% buffer. This buffer is meant to ensure that no company exceeds 25% as of the quarter-end diversification requirement date.

4. All excess weight is proportionally redistributed to all uncapped companies within the relevant Select Sector Index.

5. After this redistribution, if the float-adjusted market capitalization weight of any other company then breaches 23%, the process is repeated iteratively until no company breaches the 23% weight cap.

6. The sum of the companies with weights greater than 4.8% cannot exceed 50% of the total index weight. These caps are set to allow for a buffer below the 5% limit.

7. If the rule in paragraph 6 is breached, all companies are ranked in descending order of their float-adjusted market capitalization weights. The first company that causes the 50% limit to be breached has its weight reduced to 4.5%.

8. This excess weight is proportionally redistributed to all companies with weights below 4.5%. This is repeated iteratively until paragraph 6 is satisfied.

9. Index share amounts are assigned to each constituent to arrive at the weights calculated above. Since index shares are assigned based on prices one week prior to rebalancing, the actual weight of each constituent at the rebalancing differs somewhat from these weights due to market movements.

10. If necessary, the reweighting process may take place more than once prior to the close on the last business day of March, June, September or December to ensure the Select Sector Indices conform to all diversification requirements.

If necessary, the reweighting process may take place more than once prior to the close on the last business day of March, June, September or December to ensure the Select Sector Indices conform to all diversification requirements.

When companies represented in the Select Sector Indices are represented by multiple share classes, maximum weight capping is based on company float-adjusted market capitalization, with the weight of multiple-class companies allocated proportionally to each share class based on its float-adjusted market capitalization as of the rebalancing reference date. If no capping is required, both share classes remain in the relevant Select Sector Index at their natural float-adjusted market capitalization.

Index Calculation, Maintenance and Governance

The Select Sector Indices are calculated, maintained and governed using the same methodology as the S&P 500® Index, subject to the capping methodology described above. For additional information about the calculation, maintenance and governance of the S&P 500® Index, see The SPDR® S&P 500® ETF Trust Description of the S&P 500® Index in this underlying supplement.

The SPDR® Dow Jones® Industrial Average ETF

Description of the SPDR® Dow Jones® Industrial Average ETF

According to publicly available information, the SPDR® Dow Jones® Industrial Average ETF (the DIA) is an exchange-traded fund designed to generally correspond to the price and yield performance, before expenses, of the Dow Jones Industrial Averages℠ (the INDU).

The DIA is a unit investment trust created under the laws of the State of New York and registered under the Investment Company Act. The DIA was created to provide investors with the opportunity to purchase a security representing a proportionate undivided interest in a portfolio of securities consisting of substantially all of the component common stocks, in substantially the same weighting, which comprise the INDU. Each unit of fractional undivided interest in the DIA is referred to as a trust unit or a unit. Individual units trade on the NYSE Arca like any other equity security. The DIA commenced operations on January 14, 1998 upon the initial issuance of 500,000 units in exchange for a portfolio of securities assembled to reflect the intended portfolio composition of the DIA. Trust units represent an undivided ownership interest in a portfolio of all of the common stocks of the INDU.

Information provided to or filed with the SEC by the DIA pursuant to the Securities Act and the Investment Company Act can be located by reference to SEC file numbers 333-31247 and 811-09170, respectively, through the SEC s website at http://www.sec.gov.

Investment Objective and Strategy

The DIA holds securities and cash and is not actively managed by traditional methods, which would typically involve effecting changes in an investment portfolio on the basis of judgments relating to economic, financial and market considerations. As a result, the DIA holds constituent securities of the INDU regardless of the current or projected performance of a specific security, industry or market sector. To maintain the correspondence between the composition and weightings of portfolio securities and the component stocks of the INDU, the trustee, on a non-discretionary basis, adjusts the portfolio to conform to periodic changes in the identity and/or relative weightings of component stocks of the INDU. Specifically, the trustee is required to adjust the composition of the portfolio whenever there is a change in identity of any Index Security within three (3) business days (defined below) before or after the day on which the change in the INDU is scheduled to take effect.

The DIA intends to provide investment results that, before expenses, generally correspond to the price and yield performance of the INDU. The returns of the DIA may be affected by certain management fees and other expenses, which are detailed in its prospectus. Current information regarding the value of the INDU is available from market information services. Dow Jones & Company, Inc. (Dow Jones) obtains information for inclusion in, or for use in the calculation of, the INDU from sources considered reliable by Dow Jones.

The value of trust units fluctuates in relation to changes in the value of the portfolio. The market price of each individual unit may not be identical to the net asset value of such unit.

Units are listed individually for trading on NYSE Arca and are bought and sold in the secondary market like ordinary shares of stock at any time during the trading day.

Description of the Dow Jones Industrial Average®

The INDU is a price-weighted index of 30 U.S. blue-chip stocks, which represent all economic industries except transportation and utilities. The INDU was launched on May 26, 1896 with a base date of May 26, 1896. The INDU is published by S&P and is reported by Bloomberg under the ticker symbol INDU.

Index Construction and Maintenance

The INDU is maintained by the Averages Committee, which is composed of three representatives of S&P and two representatives of *The Wall Street Journal*. The Averages Committee meets regularly to review pending corporate actions that may affect index constituents, statistics comparing the composition of the INDU to the market, companies that are being considered as candidates for addition to the INDU and any significant market events.

The index universe for the INDU consists of securities in the S&P 500® Index excluding stocks classified under GICS code 2030 (Transportation) and 55 (Utilities). While stock selection is not governed by quantitative rules, a stock typically is added only if the company has an excellent reputation, demonstrates sustained growth and is of interest to a large number of investors. Companies should be incorporated and headquartered in the United States. In addition, a plurality of revenues should be derived from the United States. Maintaining adequate sector representation within the index is also a consideration in the selection process for the INDU.

Changes to the INDU are made on an as-needed basis. There is no annual or semi-annual reconstitution. Rather, changes in response to corporate actions and market developments can be made at any time. Constituent changes are typically announced one to five days before they are scheduled to be implemented.

Index Computation

The INDU is a price-weighted index rather than a market capitalization-weighted index and therefore INDU constituent weights are determined solely by the prices of the constituent stocks in the INDU.

The formula to calculate the INDU is:

where,

P = the price of each constituent stock in the index

Shares outstanding are set to a uniform number throughout the INDU and the index divisor is adjusted for any price impacting corporate action on one of its member stocks; this includes price adjustments, special dividends, stock splits and rights offerings. The index divisor will also adjust in the event of an addition to or deletion from the index. The INDU is calculated without adjustments for regular cash dividends.

Corporate actions (such as stock splits, stock dividends, and rights offerings) are applied after the close of trading on the day prior to the ex-date. Any potential impact of a spin-off on constituents of the INDU is evaluated by the Averages Committee on a case-by-case basis.

Corporate Action	**Comments**	**Divisor Adjustment?**
Company added/deleted	Net change in price determines the divisor adjustment.	Yes
Change in shares outstanding	Share changes due to secondary issuance, share repurchase, buy back, or any other reason are not recognized. All shares are set to 1.	No
Stock split	Share count is not revised to reflect new count. Divisor adjustment is required to offset the adjustment in price.	Yes
Spin-off	Any potential impacts on index constituents from a spin-ff are reevaluated by the Averages Committee on a case-by-case basis. The spin-off is added to the index on the ex-date at a price of zero. The price of the parent company is adjusted to the price of the parent company minus (the price of the spun-off company/share exchange ratio).	No
Special dividend	When a company pays a special dividend, the share price is assumed to drop by the amount of the dividend; the divisor adjustment reflects this drop in index market value.	Yes
Rights offering	Each shareholder receives a right to buy a proportional number of additional shares at a set (often discounted) price. The calculation assumes that the offering is fully subscribed. Divisor adjustment reflects change in price as a result of the rights offering.	Yes

The SPDR® S&P 500® ETF Trust

Description of the SPDR® S&P 500® ETF Trust

State Street Bank and Trust Company (SSBTC) act as trustee of the SPDR® S&P 500® ETF Trust (the SPY), and PDR Services, LLC (wholly owned by NYSE Euronext) acts as sponsor of the SPY. The SPY is a unit investment trust that issues securities called Standard & Poor s Depositary Receipts or SPDRs. The SPY is an exchange-traded fund that trades on the NYSE Arca under the ticker symbol SPY. The SPY is an investment company registered under the Investment Company Act. SPDRs represent an undivided ownership interest in a portfolio of all, or substantially all, of the common stocks of the S&P 500® Index (the SPX), which is the Underlying Index for SPY. Information provided to or filed with the SEC by the SPY pursuant to the Securities Act and the Investment Company Act can be located by reference to SEC file numbers 033-46080 and 811-06125, respectively, through the SEC s website at http://www.sec.gov.

Investment Objective and Strategy

The SPY s objective is to provide investment results that, before expenses, generally correspond to the price and yield performance of the SPX. The SPY holds stocks and cash and is not actively managed by traditional methods, which typically involve effecting changes in the holdings of stocks and cash on the basis of judgments made relating to economic, financial and market considerations. To maintain the correspondence between the composition and weightings of the stocks held by the SPY and the component stocks of the SPX, SSBTC adjusts the holdings of the SPY from time to time to conform to periodic changes in the identity and/or relative weightings of the component stocks. SSBTC aggregates certain of these adjustments and makes changes to the holdings of the SPY at least monthly or more frequently in the case of significant changes to the SPX. Any change in the identity or weighting of a component stock will result in a corresponding adjustment to the prescribed holdings of the SPY effective on any day that the NYSE is open for business following the day on which the change to the SPX takes effect after the close of the market. The value of SPDRs fluctuates in relation to changes in the value of the holdings of the SPY. The market price of each individual SPDR may not be identical to the net asset value of such SPDR.

Although the SPY may at any time fail to own certain of the component stocks, the SPY will be substantially invested in the component stocks. It is possible that, for a short period of time, the SPY may not fully replicate the performance of the SPX due to temporary unavailability of certain component securities in the secondary market or due to other extraordinary circumstances. In addition, the SPY is not able to replicate exactly the performance of the SPX because the total return generated by the SPY s portfolio of stocks and cash is reduced by the expenses of the SPY and transaction costs incurred in adjusting the actual balance of the SPY s portfolio. The returns of the SPY may be affected by certain management fees and other expenses, which are detailed in its prospectus.

Description of the S&P 500® Index

The S&P 500® Index is intended to provide an indication of the pattern of common stock price movement. The calculation of the level of the S&P 500® Index is based on the relative value of the aggregate market value of the common stocks of 500 companies as of a particular time compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943.

Relevant criteria employed by S&P include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company s common stock generally is responsive to changes in the affairs of the respective industry and the market value and trading activity of the common stock of that company. Currently eleven main groups of companies constitute the S&P 500® Index: Information Technology, Health Care, Financials, Consumer Discretionary, Communication Services, Industrials, Consumer Staples, Energy, Utilities, Real Estate and Materials. S&P may from time to time, in its sole discretion, add companies to, or delete companies from, the S&P 500® Index to achieve the objectives stated above. As of the close of business on September 21, 2018, S&P and MSCI, Inc. updated the GICS structure. Among other things, the update broadened the Telecommunications Services sector and renamed it the Communication Services sector. The renamed sector includes the previously existing Telecommunication Services Industry group, as well as the Media Industry group, which was moved from the Consumer Discretionary sector and renamed the Media & Entertainment Industry group. The Media & Entertainment Industry group contains three industries: Media, Entertainment and Interactive Media & Services. The Media industry

continues to consist of the Advertising, Broadcasting, Cable & Satellite and Publishing sub-industries. The Entertainment industry contains the Movies & Entertainment subindustry (which includes online entertainment streaming companies in addition to companies previously classified in such industry prior to September 21, 2018) and the Interactive Home Entertainment subindustry (which includes companies previously classified in the Home Entertainment Software subindustry prior to September 21, 2018 (when the Home Entertainment Software sub-industry was a subindustry in the Information Technology sector), as well as producers of interactive gaming products, including mobile gaming applications). The Interactive Media & Services industry and sub-industry includes companies engaged in content and information creation or distribution through proprietary platforms, where revenues are derived primarily through pay-per-click advertisements, and includes search engines, social media and networking platforms, online classifieds and online review companies. The GICS structure changes were effective for the S&P 500® Index as of the open of business on September 24, 2018 to coincide with the September 2018 quarterly rebalancing.

S&P calculates the S&P 500® Index by reference to the prices of the constituent stocks of the S&P 500® Index without taking account of the value of dividends paid on those stocks. As a result, the return on the notes will not reflect the return you would realize if you actually owned the S&P 500® Index constituent stocks and received the dividends paid on those stocks.

Index Computation

Historically, the market value of any component stock of the S&P 500® Index was calculated as the product of the market price per share and the number of then outstanding shares of such component stock. In March 2005, S&P began shifting the S&P 500® Index halfway from a market capitalization weighted formula to a float-adjusted formula, before moving the S&P 500® Index to full float adjustment on September 16, 2005. S&P s criteria for selecting stocks for the S&P 500® Index did not change with the shift to float adjustment. However, the adjustment affects each company s weight in the S&P 500® Index.

Under float adjustment, the share counts used in calculating the S&P 500® Index reflect only those shares that are available to investors, not all of a company s outstanding shares. Float adjustment excludes shares that are closely held by control groups, other publicly traded companies or government agencies.

In September 2012, all shareholdings representing more than 5% of a stock s outstanding shares, other than holdings by block owners, were removed from the float for purposes of calculating the S&P 500® Index. Generally, these control holders will include officers and directors, private equity, venture capital and special equity firms, other publicly traded companies that hold shares for control, strategic partners, holders of restricted shares, employee stock ownership plans, employee and family trusts, foundations associated with the company, holders of unlisted share classes of stock, government entities at all levels (other than government retirement/pension funds) and any individual person who controls a 5% or greater stake in a company as reported in regulatory filings. However, holdings by block owners, such as depositary banks, pension funds, mutual funds and ETF providers, 401(k) plans of the company, government retirement/pension funds, investment funds of insurance companies, asset managers and investment funds, independent foundations and savings and investment plans, will ordinarily be considered part of the float.

Treasury stock, stock options, restricted shares, equity participation units, warrants, preferred stock, convertible stock, and rights are not part of the float. Shares held in a trust to allow investors in countries outside the country of domicile, such as depositary shares and Canadian exchangeable shares are normally part of the float unless those shares form a control block.

For each stock, an IWF is calculated by dividing the available float shares, by the total shares outstanding. As of September 21, 2012, available float shares are defined as the total shares outstanding less shares held by control holders. This calculation is subject to a 5% minimum threshold for control blocks. For example, if a company s officers and directors hold 3% of the company s shares, and no other control group holds 5% of the company s shares, S&P would assign that company an IWF of 1.00, as no control group meets the 5% threshold. However, if a company s officers and directors hold 3% of the company s shares and another control group holds 20% of the company s shares, S&P would assign an IWF of 0.77, reflecting the fact that 23% of the company s outstanding shares are considered to be held for control. As of July 31, 2017, companies with multiple share class lines are no longer eligible for inclusion in the S&P 500® Index. Constituents of the S&P 500® Index prior to July 31, 2017 with multiple share class lines will be grandfathered in and continue to be included in the S&P 500® Index. If a constituent company of the S&P 500® Index reorganizes into a multiple share class line structure, that company will remain in the S&P 500® Index at the discretion of the S&P Index Committee in order to minimize turnover.

The S&P 500® Index is calculated using a base-weighted aggregate methodology. The level of the S&P 500® Index reflects the total market value of all 500 component stocks relative to the base period of the years 1941 through 1943. An indexed number is used to represent the results of this calculation in order to make the level easier to work with and track over time. The actual total market value of the component stocks during the base period of the years 1941 through 1943 has been set to an indexed level of 10. This is often indicated by the notation 1941- 43 = 10. In practice, the daily calculation of the S&P 500® Index is computed by dividing the total market value of the component stocks by the index divisor. By itself, the index divisor is an arbitrary number. However, in the context of the calculation of the S&P 500® Index, it serves as a link to the original base period level of the S&P 500® Index. The index divisor keeps the S&P 500® Index comparable over time and is the manipulation point for all adjustments to the S&P 500® Index, which is index maintenance.

Index Maintenance

Index maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends and stock price adjustments due to company restructuring or spinoffs. Some corporate actions, such as stock splits and stock dividends require changes in the common shares outstanding and the stock prices of the companies in the S&P 500® Index, and do not require index divisor adjustments.

To prevent the level of the S&P 500® Index from changing due to corporate actions, corporate actions which affect the total market value of the S&P 500® Index require an index divisor adjustment. By adjusting the index divisor for the change in market value, the level of the S&P 500® Index remains constant and does not reflect the corporate actions of individual companies in the S&P 500® Index. Index divisor adjustments are made after the close of trading and after the calculation of the index closing level.

Changes in a company s shares outstanding and IWF due to its acquisition of another public company are made as soon as reasonably possible. At S&P s discretion, *de minimis* merger and acquisition share changes are accumulated and implemented with the quarterly share rebalancing.

All other changes of less than 5% are accumulated and made quarterly on the third Friday of March, June, September, and December.

Changes in a company s total shares outstanding of 5% or more due to public offerings are made as soon as reasonably possible. Other changes of 5% or more (for example, due to tender offers, Dutch auctions, voluntary exchange offers, company stock repurchases, private placements, acquisitions of private companies or non-index companies that do not trade on a major exchange, redemptions, exercise of options, warrants, conversion of preferred stock, notes, debt, equity participations, at-the-market stock offerings or other recapitalizations) are made weekly, and are generally announced on Fridays for implementation after the close of trading the following Friday (one week later). If a 5% or more share change causes a company s IWF to change by five percentage points or more, the IWF is updated at the same time as the share change. IWF changes resulting from partial tender offers are considered on a case-by-case basis.

The Vanguard® FTSE Emerging Markets ETF

Description of the Vanguard® FTSE Emerging Markets ETF

The Vanguard® FTSE Emerging Markets ETF (the VWO) is an investment portfolio managed by The Vanguard Group, Inc. (Vanguard), the investment adviser to the VWO. The VWO is an exchange-traded fund that trades on the NYSE Arca under the ticker symbol VWO.

The Vanguard International Equity Funds (the Vanguard Trust) is a registered investment company that consists of separate funds, including the VWO, each of which may consist of different share classes. Information provided to or filed with the SEC by the Vanguard Trust under the Securities Act and the Investment Company Act can be located by reference to SEC file numbers 033-32548 and 811-05972, respectively, through the SEC s website at http://www.sec.gov.

Investment Objective and Strategy

The VWO currently seeks to track the performance of the FTSE Emerging Index. The FTSE Emerging Index measures the investment return of stocks issued by companies located in emerging market countries. The VWO employs an indexing investment approach by investing substantially all, normally about 95%, of its assets in the common stocks included in the FTSE Emerging Index. The FTSE Emerging Index was developed by FTSE and is calculated, maintained and published by FTSE. FTSE is under no obligation to continue to publish, and may discontinue or suspend the publication of the FTSE Emerging Index at any time. The returns of the VWO may be affected by certain management fees and other expenses, which are detailed in its prospectus.

Historically, the VWO sought to track the performance of the MXEF. Starting in January of 2013, the VWO began a two-step transition process to instead track the performance of the FTSE. First, in January 2013, the VWO began tracking the performance of the FTSE Emerging Transition Index (the Transition Underlying Index), which operated until July 2013. Second, in July 2013, the VWO began to track the FTSE. The Transition Underlying Index was created to provide Vanguard with the ability to transition existing emerging markets funds to the FTSE over a period of approximately six months in a manner designed to reduce the impact on its existing fund shareholders. The Transition Underlying Index differed from the FTSE in the following ways:

- It contained Korean companies: FTSE classified South Korea as a developed market in September 2009, and since then, it has not been a member of FTSE s emerging indices. FTSE initially included the constituents of the FTSE Korea Index in the transition index universe, and then over a 25-week period, gradually reduced the weight of South Korea in the index.

- It contained P Chips: FTSE announced that it would move P Chips (as defined below) from Hong Kong (a developed market) to China (an emerging market) across all its indexes beginning March 18, 2013. In anticipation of this change, P Chips were included in the Transition Underlying Index from its launch. Subsequently, at the March 2013 review, FTSE removed P Chips from the Transition Underlying Index. A P Chip is a company controlled by mainland individuals, with the establishment and origin of the company in mainland China. A P Chip must be incorporated outside of the People s Republic of China and traded on the Stock Exchange of Hong Kong, with a majority of its revenue or assets derived from mainland China.

- It contained March 2013 indicative additions and deletions: FTSE has announced a list of indicative additions and deletions that would be applied at the March 2013 index reviews. These companies were incorporated into the Transition Underlying Index at the start of its calculation.

- It was based on actual free float: FTSE announced that beginning March 18, 2013, the FTSE Emerging Index would adopt actual free float percentages. In anticipation of this change, the Transition Underlying Index applied actual free float from its launch.

As of the date of this underlying supplement, the VWO s holdings consist of companies from the following countries: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hong Kong, Hungary, India, Indonesia, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and the United Arab Emirates.

Description of the FTSE Emerging Index

The FTSE Emerging Index is a market-capitalization, weighted index representing the performance of over 800 large and mid-cap companies in 23 emerging markets and is derived from the FTSE Global Equity Index Series. The FTSE Emerging Index was launched on June 30, 2000, with a base date of December 31, 1986, and a base value of 100.

The following criteria must be met before a country s companies can be included in the FTSE Emerging Index:

- permission for direct equity investment by non-nationals;
- availability of accurate and timely data;
- non-existence of any significant exchange controls which would prevent the timely repatriation of capital or dividends;
- the demonstration of significant international investor interest in the local equity market; and
- existence of adequate liquidity in the market.

A country s classification as developed, advanced emerging or secondary emerging is largely dependent on the following factors:

- wealth (GNI per capita);
- total stock market capitalization;
- breadth and depth of market;
- any restrictions on foreign investment;
- free flow of foreign exchange;
- reliable and transparent price discovery;
- efficient market infrastructure (trading, reporting and settlement systems, derivatives market, and other factors); and

- oversight by independent regulator.

Determining Company Nationality

A company will be allocated to a single country. If a company is incorporated in one country and has its sole listing in the same country, the

company will be allocated to that country. In other circumstances, FTSE will refer the company to the FTSE Nationality Committee, which will decide the appropriate nationality for the company. If a company is incorporated in a country, has a listing in that country and listings in other countries, the FTSE Nationality Committee will normally assign the company to the country of incorporation. If a company is incorporated in a country, and is listed only in countries other than the country of incorporation, the FTSE Nationality Committee will normally allocate the company to the country with the greatest liquidity. If a company is incorporated in a country other than a developed country, has no listing in that country and is listed only in one or more developed countries, that company will only be eligible for the FTSE Global Equity Index Series inclusion if the country of incorporation is internationally recognized as having a low taxation status that has been approved by the FTSE Nationality Committee.

Eligible Securities

Most types of equity securities are eligible for the FTSE Emerging Index. Companies in the business of holding equity and other investments (e.g., investment trusts) which are assumed by the Industry Classification Benchmark as Subsector equity investment instruments and non-equity investment instruments which are assumed by the Industry Classification Benchmark as Subsector non-equity investment instruments are eligible for inclusion. Limited liability partnerships and limited liability companies are eligible for inclusion. Where a unit comprises equity and non-equity, it will not be eligible for inclusion. Convertible preferred shares and loan stocks are excluded until converted.

Adjustments Applied to Eligible Securities

Eligible companies may be subject to adjustment for free float and multiple classes, as described below. Free float restrictions include:

- shares directly owned by state, regional, municipal and local governments (excluding shares held by independently managed pension plans for governments);
- shares held by sovereign wealth funds where each holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%;
- shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies with which they are affiliated;
- shares held within employee share plans;
- shares held by public companies or by non-listed subsidiaries of public companies;
- shares held by founders, promoters, former directors, founding venture capital and private equity firms, private companies and individuals (including employees) where the holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%;
- all shares where the holder is subject to a lock-up provision (for the duration of that provision);
- shares held for publicly announced strategic reasons, including shares held by several holders acting in concert; and
- shares that are subject to on-going contractual agreements (such as swaps) where they would ordinarily be treated as restricted.

Where there are multiple classes of equity capital in a company, all classes are included and priced separately, provided that:

- The secondary class s full market capitalization (i.e., before the application of any investability weightings) is greater than 25% of the full market capitalization of the company s principal class and the secondary class is eligible in its own right in all respects.

- All partly-paid classes of equity are priced on a fully-paid basis if the calls are fixed and are payable at known future dates. Those where future calls are uncertain in either respect are priced on a partly-paid basis.

Liquidity of Constituents

Each constituent security will be tested for liquidity by calculation of its median daily trading per month. The median trade is calculated by ranking each daily trade total and selecting the middle ranking day. Daily totals with zero trades are included in the ranking; therefore, a security that fails to trade for more than half of the days in a month will have a median trade of zero.

A non-constituent which does not turnover at least 0.05% of its outstanding shares (after the application of any free float weightings) based on its median daily trade per month for at least ten of the twelve months prior to a full market review will not be eligible for inclusion in the FTSE Global Equity Index Series. An existing constituent which does not turnover at least 0.04% of its shares in issue (after the application of any free float weightings) based on its median daily trade per month for at least eight of the twelve months prior to a full market review will be removed. New issues which do not have a twelve month trading record must have a minimum three month trading record when reviewed. They must turnover at least 0.05% of their outstanding shares (after the application of any free float weightings) based on their median daily trade per month in each month since their listing.

If a company fails the liquidly test based on its underlying shares, its DRs may be considered for inclusion in the index if it passes the liquidity test in its own right and is traded on an exchange within the same regional time zone in which the underlying shares are listed. Where a company has both a DR and underlying shares listed, both securities will be tested separately for liquidity. The underlying share will be included if it passes the liquidity test in its own right. The DR will only be eligible for inclusion if the underlying share fails the liquidity test and the DR passes in its own right. Where the DR has been included, it will remain in the index until it either fails the liquidity test or the underlying share passes a future liquidity test with greater liquidity than the DR. In the event that the underlying share fails the liquidity test and the DR trades in a different time zone, but passes the test in its own right, the underlying share will be included as long as the DR is fully fungible (i.e., the DR can be converted into underlying shares and the underlying shares can be converted into DRs).

Calculation of the Underlying Index

Actual closing mid-market or last trade prices are used, where available, for constituent securities with local securities exchange quotations. The number of shares outstanding for each constituent security is expressed to the nearest share. To prevent a large number of insignificant weighting changes, the number of shares outstanding for each constituent security is amended only when the total outstanding shares included in the index system changes by more than 1% on a cumulative basis. Changes will be made quarterly after the close of business on the third Friday of March, June, September and December. The performance of the FTSE Global Equity Index Series on a given day is determined by calculating the percentage difference between (1) the index s market capitalization as at the close of that day, and (2) the market capitalization at the start of that day. Start of the day is defined as the previous day s close adjusted for capital changes, investability weight changes, additions and deletions.

The WisdomTree® Japan Hedged Equity Fund

Description of the WisdomTree® Japan Hedged Equity Fund

The WisdomTree® Japan Hedged Equity Fund (the DXJ) is an investment portfolio maintained and managed by The WisdomTree Trust (WTT). Wisdom Tree Asset Management, Inc. (WTAM) is currently the investment adviser to the DXJ, and Mellon Capital Management Corporation is the sub-adviser. The DXJ trades on the NYSE Arca under the ticker symbol DXJ.

WTT is a registered investment company that consists of numerous separate investment portfolios, including the DXJ. Information provided to or filed with the SEC by WTT under the Securities Act and the Investment Company Act can be located by reference to SEC file numbers 333-132380 and 811-21864, respectively, through the SEC s website at http://www.sec.gov.

Investment Objective and Strategy

The DXJ seeks investment results that closely correspond to the price and yield performance, before fees and expenses, of the WisdomTree® Japan Hedged Equity Index. The WisdomTree® Japan Hedged Equity Index seeks to provide returns based on the performance of Japanese equity securities, while mitigating or hedging against fluctuations between the value of the Japanese yen and the U.S. dollar. The DXJ holdings represented the following principal sectors: Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, Telecommunication Services and Utilities.

The DXJ employs a passive management or indexing investment approach designed to track the performance of the WisdomTree® Japan Hedged Equity Index, as described below. The DXJ generally uses a representative sampling strategy to achieve its investment objective, meaning it generally will invest in a sample of securities in the WisdomTree® Japan Hedged Equity Index whose risk, return and other characteristics closely resemble the risk, return and other characteristics of the WisdomTree® Japan Hedged Equity Index as a whole. Under normal circumstances, at least 95% of the DXJ s total assets (exclusive of collateral held from securities lending) will be invested in component securities of the WisdomTree® Japan Hedged Equity Index and investments that have economic characteristics that are substantially identical to the economic characteristics of such component securities.

The index hedges against fluctuations in the relative value of the Japanese yen against the U.S. dollar. The index is designed to have higher returns than an equivalent un-hedged investment when the yen is weakening relative to the U.S. dollar. Conversely, the index is designed to have lower returns than an equivalent unhedged investment when the yen is rising relative to the U.S. dollar. The index applies an applicable published one-month currency forward rate to the total equity exposure to Japan to hedged against fluctuations in the relative value of the Japanese yen against the U.S. dollar.

Forward currency contracts or futures contracts are used to offset the DXJ s exposure to the Japanese yen. The amount of forward contracts and futures contracts in the DXJ is based on the aggregate exposure of the DXJ and the WisdomTree® Japan Hedged Equity Index to the Japanese yen. While this approach is designed to minimize the impact of currency fluctuations on DXJ returns, it does not necessarily eliminate the DXJ s exposure to the yen. The return of the forward currency contracts and currency futures contracts may not perfectly offset the actual fluctuations between the yen and the U.S. dollar.

To the extent the WisdomTree® Japan Hedged Equity Index concentrates (i.e., holds 25% or more of its total assets in the securities of a particular industry or group of industries), the DXJ will seek to concentrate its investments to approximately the same extent as the WisdomTree® Japan Hedged Equity Index.

The returns of the DXJ may be affected by certain management fees and other expenses, which are detailed in its prospectus.

Description of the WisdomTree® Japan Hedged Equity Index

The WisdomTree® Japan Hedged Equity Index is a designed to measure the performance of the dividend-paying segment of the Japan stock market, while minimizing exposure to the Japanese yen fluctuations relative to the U.S. dollar. The WisdomTree® Japan Hedged Equity Index consists of dividend-paying companies incorporated in Japan and traded on the Tokyo Stock Exchange that derive less than 80% of their revenue from sources in Japan. By excluding companies that derive 80% or more of their revenue from Japan, the WisdomTree® Japan Hedged Equity Index is concentrated on dividend-paying companies with a more significant non-Japan revenue base. The companies included in the WisdomTree® Japan Hedged Equity Index typically have greater exposure to the value of global currencies and, in many cases, their business prospects historically have improved when the value of the Japanese yen has declined and have weakened when the value of the Japanese yen has increased. Constituent securities are weighted based on dividends paid over the prior annual cycle. The WisdomTree® Japan Hedged Equity Index tracks the performance of the WisdomTree® Japan Dividend Index (the WT Japan Dividend Index) absent the effect of the fluctuation of the Japanese Yen against the U.S. dollar. The WisdomTree® Japan Hedged Equity Index is calculated in U.S. dollars and published daily on Bloomberg under the ticker symbol WTIDJH. The WisdomTree® Japan Hedged Equity Index was established with a base value of 100 on February 1, 2010.

Objectives and Guiding Principles of the WisdomTree® Japan Hedged Equity Index

The selection and weighting methodology of the WisdomTree® Japan Hedged Equity Index are identical to those of the WT Japan Dividend Index, as described below. The WisdomTree® Japan Hedged Equity Index is designed to remove from index performance the impact of changes to the value of the Japanese yen relative to the U.S. dollar. In this sense, the WisdomTree® Japan Hedged Equity Index attempts to hedge against fluctuations in the relative value the Japanese yen against the U.S. dollar. The WisdomTree® Japan Hedged Equity Index is designed to have higher returns than the WisdomTree® Japan Dividend Index when the yen is weakening relative to the U.S. dollar. Conversely, the WisdomTree® Japan Hedged Equity Index is designed to have lower returns than the WisdomTree® Japan Dividend Index when the yen is rising relative to the U.S. dollar.

Calculation of the WisdomTree® Japan Hedged Equity Index

The WisdomTree® Japan Hedged Equity Index hedges the currency effects of the WT Japan Dividend index using the following calculation:

Where:

Forward Rate = WM/Reuters one-month forward rate in Japanese yen per U.S. dollar (as published by the W/M Reuters to reflect the spot rate in Japanese yen per U.S. dollar one month in the future);

Spot Rate = spot rate in Japanese yen per U.S. dollar;

m=month, d= 1, 2, 3,... D calendar days (i.e., md is day d for month m and m0 is the last day of month m-1). D=Total number days in month.

Membership Criteria

The WisdomTree® Japan Hedged Equity Index consists only of companies that:

meet the minimum liquidity requirements established by WTI, including the requirement that shares of such component companies must have traded at least 250,000 shares per month for each of the six months preceding the annual screening date;

are incorporated in Japan;

list their shares on the Tokyo Stock Exchange;

have paid at least $5 million in cash dividends on common stock shares in the annual cycle prior to the annual reconstitution;

have a market capitalization of at least $100 million on the annual screening date; and

have an average daily dollar volume of at least $100,000 for three months preceding the annual screening date.

Common stocks, REITs, tracking stocks and holding companies are eligible for inclusion. ADRs, GDRs and European DRs, limited partnerships, royalty trusts, passive foreign investment companies, preferred stocks, closed-end funds, exchange-traded funds and derivative securities such as warrants and rights are not eligible.

Weighting of the WisdomTree® Japan Hedged Equity Index

The WisdomTree® Japan Hedged Equity Index is a modified capitalization-weighted index that employs a weighting formula designed to reflect the effect that dividends play in the total return of the WisdomTree® Japan Hedged Equity Index. The initial weight of an index component at the annual reconstitution, the Cash Dividend Factor, is derived by multiplying the U.S. dollar value of the company s annual dividend per share by the number of common shares outstanding for that company. The Cash Dividend Factor is calculated for every index component and then summed. Each component s weight is equal to its Cash Dividend Factor divided by the sum of all Cash Dividend Factors for all the components in the WisdomTree® Japan Dividend Index, and is set immediately after the close of trading on the second Friday of June. New component weights take effect before the opening of trading on the first Monday following the third Friday of June (the International Reconstitution Date). Special dividends are not included in the computation of the weight.

The WisdomTree® Japan Dividend Index is modified, and all other components in the WisdomTree® Japan Dividend Index are rebalanced at the close of the current calendar quarter should the following occur:

if any company achieves a weighting equal to or greater than 24.0% of the WisdomTree® Japan Dividend Index, its weighting will be reduced to 20.0%; or

if the collective weight of index components whose individual current weights equal or exceed 5.0% of the WT Japan Dividend Index, when added together, equal or exceed 50.0% of the WisdomTree® Japan Dividend Index, the weightings of those component securities will be reduced so that their collective weight equals 40.0% of the WT Japan Dividend Index.

Further iterations of the adjustments may occur until no company or group of companies violate the rules described above.

If any sector achieves a weight equal to or greater than 25% of the WisdomTree® Japan Dividend Index, the weights of companies will be proportionally reduced to 25% as of the annual screening date. In response to market conditions, sector weights may fluctuate above 25% between annual screening dates.

The weight of an index component of the WisdomTree® Japan Dividend Index is calculated as follows:

$$\frac{\Sigma i\{SiPiEi\}}{Div}$$

Where:

- Si = Number of shares in the index for security I;

- Pi = Price of security I;

- Ei = U.S. dollars per Japanese yen; if the security price is in U.S. dollars, Ei = 1; and

- Div = Divisor.

Dividend Treatment

The WisdomTree® Japan Hedged Equity Index is calculated to capture price appreciation and total return, which assumes dividends are reinvested in the index securities. Where information is available about both gross and net dividends, the WisdomTree® Japan Hedged Equity Index assumes reinvestment of net dividends. Normal dividend payments are reinvested and accounted for in the WisdomTree® Japan Hedged Equity Index, while special dividends that are not reinvested in the index require index divisor adjustments to prevent the distribution from distorting the price index.

Multiple Share Classes

In the event that a component company issues multiple classes of shares of common stock, each class of shares will be included in the WisdomTree® Japan Dividend Index, provided that dividends are paid on those shares. Conversion of a share class into another share class results in the deletion of the share class being phased out and an increase in shares of the surviving share class, provided that the surviving share class is in the WisdomTree® Japan Dividend Index.

Index Maintenance

Index maintenance includes monitoring and implementing the adjustments for company deletions, stock splits, stock dividends, spins-offs, or other corporate actions. Some corporate actions, such as stock splits, stock dividends, and rights offerings require changes in the WisdomTree® Japan Dividend Index shares and the stock prices of the component companies in the WisdomTree® Japan Dividend Index. Some corporate actions, such as stock issuances, stock buybacks, warrant issuances, increases or decreases in dividend per share between reconstitutions, do not require changes in the WisdomTree® Japan Dividend Index shares or the stock prices of the component companies in the index. Other corporate actions, such as special dividends and entitlements, may require index divisor adjustments. Any corporate action, whether it requires divisor adjustments or not, will be implemented after the close of trading on the day prior to the ex-date of such corporate actions. Whenever possible, changes to the WisdomTree® Japan Dividend Index s components, such as deletions as a result of corporate actions, will be announced at least two business days prior to their implementation date.

Component Changes

Additions will be made at the annual reconstitution according to the inclusion criteria defined above. Changes are implemented before the opening of trading the International Reconstitution Date. No additions are made between annual reconstitutions. Shares of the following companies will deleted from the WisdomTree® Japan Dividend Index and the weights of the remaining components are adjusted proportionately to reflect the change in the composition of the WisdomTree® Japan Dividend Index if:

- a component company is re-incorporated outside Japan;
- a component company cancels its dividend payments;
- a component company files for bankruptcy; or

- a component company is de-listed or acquired by a company outside of the WisdomTree® Japan Hedged Equity Index.

Companies being acquired will be deleted from the WisdomTree® Japan Hedged Equity Index immediately before the effective date of the acquisition or upon notice of a suspension of trading in the stock of the company that is being acquired. If a component company is acquired by another company in the WisdomTree® Japan Dividend Index for stock, the acquiring company s shares and weight in the WisdomTree® Japan Hedged Equity Index are adjusted to reflect the transaction after the close of trading on the day prior to the execution date.

Component companies that reclassify their shares (i.e., that convert multiple share classes into a single share class) remain in the WT Japan Dividend Index, although index shares are adjusted to reflect the reclassification.

Spin-Offs and Initial Public Offerings

If a company is spun-off from an existing component company and pays a regular cash dividend, it is not allowed into the WisdomTree® Japan Hedged Equity Index until the next annual reconstitution, provided it meets all other inclusion requirements described above. If the spin-off shares of publicly traded companies are included with their parent company in the WisdomTree® Japan Dividend Index, the weights of the parent company and remaining components are adjusted proportionately to reflect the change in the composition. Companies that affect an initial public offering and that pay regular cash dividends and that meet all other index inclusion requirements must wait until the next annual reconstitution to be included in the WT Japan Dividend Index.

Index Divisor Adjustments

Changes in the WisdomTree® Japan Dividend Index market capitalization due to changes in composition, weighting or corporate actions result in a divisor change to maintain the WT Japan Dividend Index s continuity. By adjusting the divisor, the WisdomTree® Japan Dividend Index value retains its continuity before and after the event. Corporate actions that require divisor adjustments will be implemented prior to the opening of trading on the effective date. In certain instances where information is incomplete, or the completion of an event is announced too late to be implemented prior to the ex-date, the implementation will occur as of the close of the following day or as soon as practicable thereafter. For corporate actions not described above, or combinations of different types of corporate events and other exceptional cases, WTI reserves the right to determine the appropriate implementation method.

CERTAIN TERMS OF THE NOTES

General

Each issue of the notes will be part of a series of medium-term notes entitled Senior Global Medium-Term Notes that will be issued under the indenture, as amended and supplemented from time to time. The indenture is described more fully in the prospectus and prospectus supplement. The following description of the notes supplements and, to the extent it is inconsistent with, supersedes the description of the general terms and provisions of the notes and debt securities set forth under the headings Description of the Notes We May Offer in the prospectus supplement and Description of Senior Debt Securities in the prospectus. These documents should be read in connection with this document and the applicable free writing prospectus or pricing supplement.

The notes will be payable only in U.S. dollars. The notes are not subject to any sinking fund. The notes are not subject to the defeasance provisions described in the section Description of Senior Debt Securities Defeasance beginning on page 6 of the accompanying prospectus.

We will issue the notes in the form of a fully registered global note registered in the name of the nominee of The Depository Trust Company (**DTC**). Beneficial interests in the notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Except in the limited circumstances described in the accompanying prospectus supplement, owners of beneficial interests in the notes will not be entitled to have the notes registered in their names, will not receive or be entitled to receive the notes in definitive form and will not be considered holders of the notes under the indenture.

Physical Delivery Amount

If the payment at maturity is in physical shares of a Fund, the number of shares received (or the amount of marketable securities received) is referred to as the **Physical Delivery Amount** (with any fractional shares to be paid in cash). Unless otherwise specified in the applicable free writing prospectus or pricing supplement, the Physical Delivery Amount will be calculated by the calculation agent by dividing the principal amount of your notes by the Closing Price of the Reference Asset that is set on the pricing date (the **Initial Price**). The Physical Delivery Amount, the Initial Price of a Fund and other amounts may change due to corporate actions. We may at our sole option elect to pay investors in cash in lieu of the Physical Delivery Amount.

Coupon Payment Dates, Call Payment Dates and Maturity Date

If (1) a day on which a coupon payment is scheduled to be made (a **Coupon Payment Date**), (2) a day on which payment is to be made if the notes are called (a **Call Payment Date**) or (3) the maturity date stated in the applicable free writing prospectus or pricing supplement is not a Business Day, the amounts payable or the Physical Delivery Amount will be paid or delivered on the next following Business Day and no interest will be paid in respect of such postponement. The calculation agent may postpone (i) a scheduled date on which the coupon due is determined (a **Coupon Determination Date**), and therefore the related Coupon Payment Date; (ii) a scheduled date on which it is determined if the notes will be called (a **Call Observation Date**), and therefore the related Call Payment Date; or (iii) the scheduled Final Valuation Date, and therefore the maturity date, in each case if any such date is not a Trading Day or a Market Disruption Event occurs or is continuing on such date. We describe the effect of Market Disruption Events under Valuation Dates and Market Disruption Events below.

Observation Periods

For Notes Where the Reference Asset Is a Single Fund

If any date during a period in which the Fund is observed either continuously or at market close for the occurrence of a knock-out or other event (an **Observation Period**) is not a Trading Day, such date will be excluded from the Observation Period. If a Market Disruption Event exists on any date during an Observation Period (other than a Valuation Date), then such date will be excluded from the Observation Period, unless a Market Disruption Event exists or continues for five or more consecutive scheduled Trading Days during an Observation Period, in which case such fifth consecutive day and each following day in the Observation Period until the occurrence of a Trading Day without a Market Disruption Event will nonetheless be part of the Observation Period and the calculation agent will determine the Closing Price of the Fund for each such date in good faith and in its sole discretion using its estimate of the exchange traded price for the Fund that would have prevailed but for that Market Disruption Event. If a Valuation Date that is part of an originally scheduled Observation Period is postponed, then the Observation Period will be extended to include such Valuation Date as postponed.

For Notes Where the Reference Asset Consists of Multiple Funds

If any date during an Observation Period is not a Trading Day for any Fund, such date will be excluded from the Observation Period for that Fund. If a Market Disruption Event exists on any date during an Observation Period (other than a Valuation Date) for a Fund, then such date will be excluded from the Observation Period for such Fund, unless a Market Disruption Event exists or continues for five or more consecutive scheduled Trading Days during an Observation Period, in which case such fifth consecutive day and each following day in the Observation Period until the occurrence of a Trading Day without a Market Disruption Event will nonetheless be part of the Observation Period for such Fund and the calculation agent will determine the Closing Price with respect to such Fund for each such date in good faith and in its sole discretion using its estimate of the exchange traded price for such Fund that would have prevailed but for that Market Disruption Event. For each Fund that makes up the Reference Asset, the

calculation agent will determine whether a Market Disruption Event exists with respect to each Fund independent from other Funds. Therefore, a Market Disruption Event may exist for certain Funds and not exist for other Funds. If a Valuation Date that is part of an originally scheduled Observation Period is postponed for a Fund, then the Observation Period for such Fund will be extended to include such Valuation Date as postponed. If no Market Disruption Event exists with respect to a Fund on the originally scheduled Valuation Date, the Observation Period with respect to such Fund will not be extended, irrespective of the existence of a Market Disruption Event with respect to any other Funds on the originally scheduled Valuation Date.

Valuation Dates

Unless otherwise specified in the applicable free writing prospectus or pricing supplement, the payment on the notes is calculated based on the value of the Reference Asset on the Coupon Determination Dates, Call Observation Dates, or one or more other dates during the term of the notes (each such date a **Valuation Date**, and the last of such dates, or if there is only one such date, the **Final Valuation Date**).

For Notes Where the Reference Asset Is a Single Fund

If a Valuation Date as set forth in the applicable free writing prospectus or pricing supplement is not a Trading Day, then such Valuation Date will be the next succeeding day that is a Trading Day. If a Market Disruption Event exists on a Valuation Date, then such Valuation Date will be the next Trading Day on which there is no Market Disruption Event. If a Market Disruption Event exists or continues for five consecutive scheduled Trading Days, then that fifth scheduled Trading Day will nonetheless be the Valuation Date, and the calculation agent will determine the Closing Price for such Fund on that day in good faith and in its sole discretion using its estimate of the exchange traded price for such Fund that would have prevailed but for that Market Disruption Event.

Unless otherwise specified in the applicable free writing prospectus or pricing supplement, if the payment on the notes is calculated based on the Closing Prices of the Fund on certain consecutive scheduled Trading Days (a **Valuation Period**), and if (i) a Market Disruption Event occurs on a scheduled Valuation Date or (ii) any scheduled Valuation Date is determined by the calculation agent not to be a Trading Day (any such day in either (i) or (ii) being a **non-Valuation Date**), the Closing Price of the Fund for the applicable non-Valuation Date will be the Closing Price of the Fund on the next Valuation Date that occurs during the Valuation Period. For example, if the first and second scheduled Valuation Dates during the Valuation Period are non-Valuation Dates, then the Closing Price of the Fund on the third Valuation Date will also be the Closing Price of the Fund on the first and second scheduled Valuation Dates during the Valuation Period. If no further Valuation Dates occur after a non-Valuation Date, or if every scheduled Valuation Date after that non-Valuation Date is also a non-Valuation Date, then the calculation agent will determine the Closing Price of the Fund for that non-Valuation Date and each following non-Valuation Date, if any (or for all the scheduled Valuation Dates during the Valuation Period, if applicable), in good faith and in its sole discretion using its estimate of the exchange traded price for such Fund that would have prevailed but for that Market Disruption Event. For the avoidance of doubt, if Valuation Dates are scheduled to be within certain consecutive scheduled Trading Days, a Market Disruption Event on the first such scheduled Valuation Date could cause a Market Disruption Event to occur on one or more Valuation Dates simultaneously.

If a Coupon Determination Date, Call Observation Date or Final Valuation Date is postponed, then the related Coupon Payment Date, Call Payment Date or maturity date will also be postponed by the same number of Business Days and no interest will be paid in respect of such postponement.

For Notes Where the Reference Asset Consists of Multiple Funds

If a Valuation Date as set forth in the applicable free writing prospectus or pricing supplement is not a Trading Day for a Fund, then such Valuation Date for such Fund will be the next succeeding day that is a Trading Day for such Fund. If a Market Disruption Event exists on a Valuation Date for a Fund, then such Valuation Date for such Fund will be the next Trading Day on which there is no Market Disruption Event for that Fund. If a Market Disruption Event exists or continues for five consecutive scheduled Trading Days, then that fifth scheduled Trading Day will nonetheless be the Valuation Date for such Fund and the calculation agent will determine the Closing Price for such Fund on that day in good faith and in its sole discretion using its estimate of the exchange traded price for such Fund that would have prevailed but for that Market Disruption Event.

If the payment on the notes is calculated based on the Closing Prices of the Funds during a Valuation Period, the Closing Price of each Fund will be determined as described in the second paragraph of Valuation Dates For Notes Where the Reference Asset Is a Single Fund above.

For each Fund that makes up the Reference Asset, the calculation agent will determine whether a Market Disruption Event exists on a Valuation Date with respect to each Fund independent from other Funds. Therefore, a Market Disruption Event may exist for certain Funds and not exist for other Funds. If no Market Disruption Event exists with respect to a Fund on an originally scheduled Valuation Date, the Closing Price of such Fund as of that Valuation Date will be its Closing Price on that Valuation Date, irrespective of the existence of a Market Disruption Event with respect to any other Funds on that Valuation Date.

If a Coupon Determination Date, Call Observation Date or Final Valuation Date is postponed, then the related Coupon Payment Date, Call Payment Date or maturity date will also be postponed by the same number of Business Days and no interest will be paid in respect of such postponement.

Market Disruption Events

As to any Fund that holds equity securities, unless otherwise specified in the applicable free writing prospectus or pricing supplement, a **Market Disruption Event** means any of the following events, as determined by the calculation agent in its sole discretion:

A. the suspension of or material limitation on trading, in each case, for more than two consecutive hours of trading, or during the one-half hour period preceding the close of trading, of the shares of the Fund (or the Successor Fund) on the primary exchange where such shares trade, as determined by the calculation agent (without taking into account any extended or after-hours trading session);

B. the suspension of or material limitation on trading, in each case, for more than two consecutive hours of trading, or during the one-half hour period preceding the close of trading, on the primary exchange that trades options contracts or futures contracts related to the shares of the Fund (or the Successor Fund) as determined by the calculation agent (without taking into account any extended or after-hours trading session), in options contracts or futures contracts related to the shares of the Fund;

C. the suspension of or material limitation on trading, in each case, for more than two consecutive hours of trading, or during the one-half hour period preceding the close of trading, on the primary exchange where component securities of the relevant Underlying Index (or the Successor Underlying Index (as defined below)) trade, as determined by the calculation agent (without taking into account any extended or after-hours trading session), in 20% or more of the securities which then comprise the Underlying Index or any Successor Underlying Index;

D. the suspension of or material limitation on trading, in each case, for more than two consecutive hours of trading, or during the one-half hour period preceding the close of trading, on the primary exchange that trades options contracts or futures contracts related to the relevant Underlying Index (or the Successor Underlying Index) as determined by the calculation agent (without taking into account any extended or after-hours trading session), in options contracts or futures contracts related to the Underlying Index or any Successor Underlying Index;

E. the determination that a scheduled Valuation Date is not a Trading Day by reason of an extraordinary event, occurrence, declaration, or otherwise; or

F. in any other event, if the calculation agent determines that the event materially interferes with our ability or the ability of any of our affiliates to maintain or unwind all or a material portion of a hedge with respect to the notes that we or our affiliates have effected or may effect as described under Use of Proceeds and Hedging above.

For the purpose of determining whether a Market Disruption Event has occurred:

(1) a limitation on the hours in a Trading Day and/or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange;

(2) a decision to permanently discontinue trading in the shares of the Fund (or Successor Fund) or the relevant futures or options contracts relating to those shares or the relevant Underlying Index (or any Successor Underlying Index) will not constitute a Market Disruption Event;

(3) a suspension in trading in a futures or options contract on the shares of the Fund (or Successor Fund) or the relevant Underlying Index (or any Successor Underlying Index), by a major securities market by reason of (a) a price change violating limits set by that securities market, (b) an imbalance of orders relating to those contracts, or (c) a disparity in bid and ask quotes relating to those contracts, will each constitute a suspension of or material limitation on trading in futures or options contracts relating to the Fund;

(4) subject to paragraph (3) above, a suspension of or material limitation on trading on the relevant exchange will not include any time when that exchange is closed for trading under ordinary circumstances; and

(5) if applicable to a Fund or an Underlying Index with component securities listed on the NYSE, for the purpose of clauses A and C above, any limitations on trading during significant market fluctuations under NYSE Rule 80B, or any applicable rule or regulation enacted or promulgated by the NYSE or any other self-regulatory organization or the SEC of similar scope as determined by the calculation agent, will be considered material.

The applicable free writing prospectus or pricing supplement will set forth the definition of Market Disruption Event for a commodity-based Fund.

Anti-Dilution Adjustments

If any of the dilution events described below occurs with respect to a Fund, the calculation agent will adjust the Initial Price of that Fund as described below. If the Initial Price of a Fund is adjusted, any value related to the Initial Price of that Fund, including a buffer price, a barrier price or a Physical Settlement Amount, as applicable, will also be adjusted based on the adjusted Initial Price.

The calculation agent will adjust the Initial Price of a Fund as described below, but only if an event described in this section occurs with respect to that Fund and only if the relevant event occurs during the period described in the applicable subsection. The relevant Initial Price and any related value will be subject to the adjustments described below, independently and separately, with

respect to the dilution events that affect a Fund.

If more than one anti-dilution event requiring adjustment occurs with respect to a Fund, the calculation agent will adjust the Initial Price of that Fund for each event, sequentially, in the order in which the events occur, and on a cumulative basis. Therefore, having adjusted the Initial Price for the first event, the calculation agent will adjust the Initial Price for the second event, applying the required adjustment to the Initial Price as already adjusted for the first event, and so on for each subsequent event. If an event requiring an anti-dilution adjustment occurs, the calculation agent will make the adjustment with a view to offsetting, to the extent practical, any change in the economic position of the holder and us, relative to your note, that results solely from that event. The calculation agent may, in its sole discretion, make additional adjustments or adjustments that differ from those described below to a Fund if the calculation agent determines in good faith and a commercially reasonable manner that the adjustment is appropriate to ensure an equitable result.

Stock Splits and Stock Dividends

A stock split is an increase in the number of a corporation s outstanding shares of stock without any change in its stockholders equity. When a corporation pays a stock dividend, it issues additional shares of its stock to all holders of its outstanding stock in proportion to the shares they own. Each outstanding share will be worth less as a result of a stock split or stock dividend.

If a Fund is subject to a stock split or receives a stock dividend, then the calculation agent will adjust the Initial Price of that Fund by dividing its original Initial Price by the number equal to: (1) the number of shares of such Fund outstanding immediately after the stock split or stock dividend becomes effective; divided by (2) the number of shares of such Fund outstanding immediately before the stock split or stock dividend becomes effective. This adjustment will not be made, however, unless:

- in the case of a stock split, the first day on which such Fund trades without the right to receive the stock split occurs after the pricing date and on or before the applicable Valuation Date; or

- in the case of a stock dividend, the ex-dividend date occurs after the pricing date and on or before the applicable Valuation Date.

The ex-dividend date for any dividend or other distribution with respect to such Fund is the first day on which such Fund trades without the right to receive that dividend or other distribution.

Reverse Stock Splits

A reverse stock split is a decrease in the number of a corporation s outstanding shares of stock without any change in its stockholders equity. Each outstanding share will be worth more as a result of a reverse stock split.

If a Fund is subject to a reverse stock split, then the calculation agent will adjust the Initial Price of such Fund by multiplying its original Initial Price by a number equal to: (1) the number of shares of such Fund outstanding immediately before the reverse stock split becomes effective; divided by (2) the number of shares of such Fund outstanding immediately after the reverse stock split becomes effective. This adjustment will not be made, however, unless the reverse stock split becomes effective after the pricing date and on or before the applicable Valuation Date.

Extraordinary Dividends

Any distribution or dividend on a Fund determined by the calculation agent to be a distribution or dividend that is not in the ordinary course of the Fund Issuer s historical dividend practices will be deemed to be an extraordinary dividend. The calculation agent will determine if the dividend is an extraordinary dividend and, if so, the amount of the extraordinary dividend. Each outstanding share will be worth less as a result of an extraordinary dividend.

If any extraordinary dividend occurs with respect to a Fund, the calculation agent will adjust the Initial Price of such Fund to equal the product of: (1) its original Initial Price times (2) a fraction, the numerator of which is the amount by which the Closing Price of such Fund on the Trading Day before the ex-dividend date exceeds the extraordinary dividend amount and the denominator of which is the Closing Price of such Fund on the Trading Day before the ex-dividend date. This adjustment will not be made, however, unless the ex-dividend date occurs after the pricing date and on or before the applicable Valuation Date.

The extraordinary dividend amount with respect to an extraordinary dividend for such Fund equals:

- for an extraordinary dividend that is paid in lieu of a regular quarterly dividend, the amount of the extraordinary dividend per share of such Fund minus the amount per share of the immediately preceding dividend, if any, that was not an extraordinary dividend for such Fund; or

- for an extraordinary dividend that is not paid in lieu of a regular quarterly dividend, the amount per share of the extraordinary dividend.

To the extent an extraordinary dividend is not paid in cash, the value of the non-cash component will be determined by the calculation agent. A distribution on a Fund that is a stock dividend, an issuance of transferable rights or warrants or a spin-off event and also an extraordinary dividend will result in an adjustment to its Initial Price only as described under Stock Splits and Stock Dividends above, Transferable Rights and Warrants below or Reorganization Events below, as the case may be, and not as described here.

Transferable Rights and Warrants

If a Fund issues transferable rights or warrants to all holders of such Fund to subscribe for or purchase such Fund at an exercise price per share that is less than the Closing Price of such Fund on the Trading Day before the ex-dividend date for the issuance, then the Initial Price of such Fund will be adjusted by multiplying its original Initial Price by the following fraction:

- the numerator will be the number of shares of such Fund outstanding at the close of business on the Trading Day before that ex-dividend date plus the number of additional shares of such Fund that the aggregate offering price of the total number of shares of such Fund so offered for subscription or purchase pursuant to the transferable rights or warrants could purchase at the Closing Price on the Trading Day before the ex-dividend date, with that number of additional shares being determined by multiplying the total number of shares so offered by the exercise price of those transferable rights or warrants and dividing the resulting product by the Closing Price on the Trading Day before that ex-dividend date; and

- the denominator will be the number of shares of such Fund outstanding at the close of business on the Trading Day before that ex-dividend date plus the number of additional shares of such Fund offered for subscription or purchase under those transferable rights or warrants.

This adjustment will not be made, however, unless the ex-dividend date described above occurs after the pricing date and on or before the applicable Valuation Date.

Reorganization Events

If after the pricing date and on or prior to the relevant Valuation Date, as to any Fund, the Fund or its Successor Fund has been subject to a merger, combination, consolidation, or statutory exchange of securities with another exchange traded fund, and the Fund is not the surviving entity, then, on or after the date of such event, the calculation agent shall, in its sole discretion, make an adjustment to the Initial Price for such Fund or any other terms of the notes as the calculation agent, in its sole discretion, determines appropriate to account for the economic effect on the notes of that event (including adjustments to account for changes in volatility, expected dividends, stock loan rate, or liquidity relevant to the Fund or to the notes), and determine the effective date of that adjustment. If the calculation agent determines that no adjustment that it could make will produce a commercially reasonable result, then the calculation agent may deem the Fund to be de-listed, liquidated, discontinued, or otherwise terminated, the treatment of which is described below under Discontinuance of or Material Change to a Fund.

Other Events

The calculation agent is empowered to make such adjustments to any terms of the notes for other events not described above in its sole discretion.

Discontinuance of or Material Change to a Fund

If shares of a Fund are de-listed from its primary securities exchange (or any other relevant exchange), liquidated, or otherwise terminated, the calculation agent will substitute an exchange traded fund that the calculation agent determines, in its sole discretion, is comparable to the discontinued Fund (that exchange traded fund being referred to herein as a **Successor Fund**). In that event, the calculation agent will adjust the Initial Price of the Fund or any other terms of the notes as necessary such that the Successor Fund closely replicates the performance of the Fund.

If a Fund (or a Successor Fund) is de-listed, liquidated, or otherwise terminated and the calculation agent determines that no adequate substitute for the Fund (or a Successor Fund) is available, then the calculation agent will, in its sole discretion, calculate the Closing Price of that Fund (or a Successor Fund) by a computation methodology that the calculation agent determines will as closely as reasonably possible replicate that Fund (or a Successor Fund). If the calculation agent determines that no such computation methodology will produce a commercially reasonable result, then the calculation agent, in its discretion, may cause the maturity date of the notes to be accelerated as described below.

If a Successor Fund is selected or the calculation agent calculates the Closing Price by a computation methodology that the calculation agent determines will as closely as reasonably possible replicate the Fund (or a Successor Fund), that Successor Fund or substitute computation methodology, as applicable, will be substituted for the Fund (or that Successor Fund) for all purposes of the notes.

If at any time:

- an Underlying Index (or the underlying index related to a Successor Fund) is discontinued or ceases to be published and (i) the Reference Sponsor of the Underlying Index or another entity does not publish a successor or substitute underlying index that the calculation agent determines, in its sole discretion, to be comparable to the Underlying Index (a **Successor Underlying Index**) or (ii) the Reference Sponsor of the Fund does not announce that the Fund will track the Successor Underlying Index; or

- a Fund (or a Successor Fund) in any way is modified (including, but not limited to, a material change in the investment policies, objectives or methodology of the Fund, or a material change to the related Underlying Index) so that the Fund does not, in the opinion of the calculation agent, fairly represent the price per share of that Fund (or that Successor Fund) had those changes or modifications not been made;

then, from and after that time, the calculation agent will make those calculations and adjustments that, in the good faith

judgment of the calculation agent, may be necessary in order to arrive at a Closing Price of that Fund (or that Successor Fund) as if those changes or modifications had not been made. The calculation agent also may determine that no adjustment is required. If the calculation agent determines that no such calculation or adjustment will produce a commercially reasonable result, then the calculation agent, in its discretion, may cause the maturity date of the notes to be accelerated as described below.

The calculation agent will be solely responsible for the method of calculating the Closing Price of the Fund (or any Successor Fund) and of any related determinations and calculations, and its determinations and calculations with respect thereto will be conclusive in the absence of manifest error.

Notwithstanding these alternative arrangements, any modification or discontinuance of the Fund or the related Underlying Index may adversely affect trading in the notes.

If the calculation agent determines that no adjustment that it could make will produce a commercially reasonable result, then the calculation agent, in its discretion, may cause the notes to be accelerated to the fifth Business Day (the **date of acceleration**) following the date of that determination and the amount payable to you will be calculated as though the date of acceleration were the maturity date and the Final Valuation Date were the fifth scheduled Trading Day prior to the maturity date, as accelerated. In addition, if the notes pay interest, you will receive interest accrued on the notes until the date that the required amount is paid.

Certain Definitions

Business Day

A **Business Day** means a Monday, Tuesday, Wednesday, Thursday or Friday that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in New York City or Toronto.

Closing Price

The **Closing Price** of a Fund (or a Successor Fund) on any Trading Day means the closing sale price or last reported sale price, regular way, for that security, on a per-share or other unit basis:

- on the principal national securities exchange on which that security is listed for trading on that day, as published on the applicable Bloomberg page or any successor page on Bloomberg or any successor service, as applicable, or

- if that security is not quoted on any national securities exchange on that day, on any other market system or quotation system that is the primary market for the trading of that security.

If that security is not listed or traded as described above, then the Closing Price for that security on any Trading Day will be the average, as determined by the calculation agent, of the bid prices for that security obtained from as many dealers in that security selected by the calculation agent as will make those bid prices available to the calculation agent. The number of dealers need not exceed three and may include the calculation agent or any of its or our affiliates.

Trading Day

A **Trading Day** for a Fund is a day on which the principal trading market for the Fund is open for trading.

Payment When Offices or Settlement Systems Are Closed

If any payment, including any delivery of physical shares of a Fund, is due on the notes on a day that would otherwise be a Business Day but is a day on which the office of a paying agent or a settlement system is closed, we will make the payment on the next Business Day when that paying agent or system is open. Any such payment will be deemed to have been made on the original due date, and no additional interest will be paid on account of the delay.

Role of the Calculation Agent

The calculation agent has the sole discretion to make all determinations regarding the notes as described in this underlying supplement. Absent manifest error, all determinations of the calculation agent will be conclusive for all purposes and final and binding on you and us, without any liability on the part of the calculation agent.

We are expected to act as the calculation agent for each issue of the notes. However, we may change the calculation agent at any time without notifying you. The identity of the calculation agent will be set forth in the applicable free writing prospectus or pricing supplement.

Same-Day Settlement and Payment

The notes will be delivered in book-entry form only through The Depository Trust Company against payment by purchasers of the notes in immediately available funds. We will pay the payments on the notes in immediately available funds so long as the notes are maintained in book-entry form.

Events of Default and Acceleration

If the notes have become immediately due and payable following an Event of Default (as defined in the section Description of

Senior Debt Securities Events of Default in the accompanying prospectus) with respect to the notes, the default amount payable will be equal to the payment at maturity described in the applicable free writing prospectus or pricing supplement, calculated as though the date of acceleration were the maturity date and the Final Valuation Date were the fifth scheduled Trading Day prior to the maturity date, as accelerated. In addition, if the notes pay interest, you will receive interest accrued on the notes until the date that the required amount is paid.

If the notes have become immediately due and payable following an Event of Default, you will not be entitled to any additional payments with respect to the notes. For more information, see Description of the Notes We May Offer Events of Default in the accompanying prospectus supplement.

Withholding

The Bank or the applicable paying agent will deduct or withhold from a payment on a note any present or future tax, duty, assessment or other governmental charge that the Bank determines is required by law or the interpretation or administration thereof to be deducted or withheld. Payments on a note will not be increased by any amount to offset such deduction or withholding.

Listing

Unless otherwise specified in the applicable free writing prospectus or pricing supplement, the notes will not be listed on a securities exchange or quotation system.

THE BANK S ESTIMATED VALUE OF THE NOTES

The Bank s initial estimated value of the notes that will be set forth on the cover of the applicable free writing prospectus or pricing supplement will be equal to the sum of the values of the following hypothetical components: (1) a fixed-income debt component with the same maturity as the notes, valued using our internal funding rate for structured debt described below, and (2) the derivative or derivatives underlying the economic terms of the notes. The Bank s initial estimated value does not represent a minimum price at which an agent or any other person would be willing to buy your notes in any secondary market (if any exists) at any time. The internal funding rate used in the determination of the Bank s initial estimated value generally represents a discount from the credit spreads for our conventional fixed-rate debt. The discount is based on, among other things, our view of the funding value of the notes as well as the higher issuance, operational and ongoing liability management costs of the notes in comparison to those costs for our conventional fixed-rate debt. For additional information, see Risk Factors The Bank s initial estimated value of the notes will not be determined by reference to credit spreads for our conventional fixed-rate debt in this underlying supplement. The value of the derivative or derivatives underlying the economic terms of the notes is derived from the Bank s or a third party hedge provider s internal pricing models. These models are dependent on inputs such as the traded market prices of comparable derivative instruments and on various other inputs, some of which are market-observable, and which can include volatility, dividend rates, interest rates and other factors, as well as assumptions about future market events and/or environments. Accordingly, the Bank s initial estimated value of the notes will be determined when the terms of the notes are set based on market conditions and other relevant factors and assumptions existing at that time. See Risk Factors The Bank s initial estimated value does not represent future values of the notes and may differ from others estimates in this underlying supplement.

The Bank s initial estimated value of the notes will be lower than the initial issue price of the notes because costs associated with selling, structuring and hedging the notes are included in the initial issue price of the notes. These costs include the selling commissions paid to the Bank and other affiliated or unaffiliated dealers, the projected profits that our hedge counterparties, which may include our affiliates, expect to realize for assuming risks inherent in hedging our obligations under the notes and the estimated cost of hedging our obligations under the notes. Because hedging our obligations entails risk and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or it may result in a loss. We or one or more of our affiliates will retain any profits realized in hedging our obligations under the notes. See Risk Factors The Bank s initial estimated value of the notes will be lower than the initial issue price (price to public) of the notes in this underlying supplement.

SUPPLEMENTAL DISCUSSION OF CANADIAN FEDERAL INCOME TAX CONSEQUENCES

An investor should read carefully the description of material Canadian federal income tax considerations relevant to a Non-Resident Holder (as defined therein) owning debt securities under Material Income Tax Consequences Canadian Taxation in the accompanying prospectus. Canadian federal income tax considerations applicable to the notes may be described particularly when such notes are offered in the applicable free-writing prospectus or pricing supplement related thereto and, in that event, the disclosure in the accompanying prospectus will be superseded by the disclosure in such free-writing prospectus or pricing supplement to the extent indicated therein.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a general summary of certain U.S. federal income tax consequences that could be applicable to the acquisition, ownership and disposition of the notes by a U.S. Holder (as defined below) thereof. This description only applies to notes held as capital assets within the meaning of the Internal Revenue Code of 1986, as amended (the Code) and issued by the Bank (or through a non-U.S. branch of the Bank). This summary addresses certain U.S. federal income tax consequences with respect to notes the performance on which is linked to one or more market-based funds. It does not address U.S. federal income tax consequences of other types of notes which may be issued under the program. The applicable final terms and pricing supplement will contain additional or modified disclosure concerning the certain U.S. federal income tax consequences relevant to such type of note as appropriate.

This summary does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to U.S. Holders that are subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;

- persons that will own notes through partnerships or other pass-through entities;

- dealers or traders in securities or currencies;

- certain former citizens or long-term residents of the United States;

- holders that will hold a note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes; or

- holders that have a functional currency other than the U.S. dollar.

This summary does not address the U.S. federal estate and gift tax, alternative minimum tax, or Medicare unearned income tax consequences of the acquisition, ownership or disposition of the notes. This disclosure only addresses the U.S. federal income tax treatment of holders that acquire the notes as part of the initial distribution at their issue price (as defined below). Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of the notes and any consequences arising on account of the purchaser s particular circumstances.

This summary is based on the Code, existing and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as available and as of the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein.

For purposes of this summary, a U.S. Holder is a beneficial owner of notes who for U.S. federal income tax purposes is any of the following:

- an individual citizen or resident of the United States;

- a corporation (or any other entity that is treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any state thereof, including the District of Columbia;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the

activities of the partnership. Such partner or partnership should consult its own tax advisor regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the notes.

Payments Designated as Interest

The Issuer will report interest paid to a U.S. Holder on a note as includible in the U.S. Holder s gross income as ordinary income in accordance with its usual method of tax accounting. In addition, interest on the notes should be treated as foreign source income for U.S. federal income tax purposes. Subject to certain conditions and limitations, non-U.S. taxes, if any, withheld on interest payments may be treated as non-U.S. taxes eligible for credit against a U.S. Holder s U.S. federal income tax liability. The limitation on non-U.S. taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific baskets of income. Interest on the notes generally will constitute passive category income, or, in the case of certain U.S. Holders, general category income. As an alternative to the tax credit, a U.S. Holder may elect to deduct such taxes (the election would then apply to all non-U.S. income taxes such U.S. Holder paid in that taxable year). The rules governing the U.S. foreign tax credit are complex. U.S. Holders are urged to consult their tax advisor regarding the availability of the U.S. foreign tax credit under their particular circumstances.

Under recently enacted tax rules, if a U.S. Holder employs the accrual method of accounting, keeps applicable financial statements and income is recognized for financial accounting purposes prior to the time that the U.S. Holder otherwise would recognize the income for U.S. federal income tax purposes, the income will be recognized for tax purposes in accordance with such applicable financial statements. For this purpose, an applicable financial statement includes a financial statement used for credit purposes, or for reporting to shareholders, partners, or other proprietors.

Notes Treated as Derivatives

Except as disclosed in an applicable pricing supplement, the notes will not be treated as indebtedness for federal income tax purposes, but will be treated as prepaid cash-settled derivative contracts. In this case, holders should generally recognize capital gain or loss upon the sale, exchange or payment on maturity in an amount equal to the difference between the amount they receive at such time and their tax basis in the notes, other than accrued but unpaid interest which will be taxable as ordinary income. In general, their tax basis in the notes will be equal to the price they paid for them. Such gain or loss should generally be long-term capital gain or loss if they have held their notes for more than one year. Capital gain recognized by an individual U.S. holder is generally taxed at preferential rates where the property is held for more than one year and is generally taxed at ordinary income rates where the property is held for one year or less. The deductibility of capital losses is subject to limitations. The holding period for notes of a U.S. holder who acquires the notes upon issuance will generally begin on the date after the issue date (i.e., the settlement date) of the notes. If the notes are held by the same U.S. holder until maturity, that holder s holding period will generally include the maturity date.

Any gain or loss realized on the sale, exchange, retirement or other disposition of a note generally will be treated as U.S. source gain or loss, as the case may be. Consequently, a U.S. Holder may not be able to claim a credit for any non-U.S. tax imposed upon a disposition of a note. The deductibility of capital losses is subject to limitations.

The U.S. Treasury Department and the Internal Revenue Service (the IRS) released a 2008 Notice that may affect the taxation of holders of notes taxed as prepaid derivatives. According to the notice, the IRS and the U.S. Treasury are considering whether the holder of an instrument such as the notes should be required to accrue ordinary income on a current basis, and they are seeking taxpayer comments on the subject. The notice also states that the IRS and the U.S. Treasury are also considering other relevant issues, including whether gain or loss from such instruments should be treated as ordinary or capital and whether the special constructive ownership rules of Section 1260 of the Code might be

applied to such instruments. Similarly, the IRS and the Treasury Department have current projects open with regard to the tax treatment of pre-paid forward contracts and contingent notional principal contracts. While it is not clear whether any notes would be viewed as similar to instruments discussed in such notice, it is possible that any future guidance could materially and adversely affect the tax consequences of an investment in the notes, possibly with retroactive effect.

Alternative Federal Income Tax Treatment of the Notes

As noted above, there is no judicial or administrative authority discussing how the notes should be treated for U.S. federal income tax purposes. Therefore, other treatments would also be reasonable and the IRS might assert that treatment other than that described above is more appropriate.

For example, notes may be properly treated as an investment unit consisting of (i) a non-contingent debt instrument issued by us to you (the Debt Portion) and (ii) a put option with respect to the Reference Assets written by you and purchased by us (the Put Option).

If the notes are properly treated as an investment unit consisting of a Debt Portion and Put Option, it is likely that the Debt Portion of the notes is treated as issued for the Principal Amount of the notes (if you are an initial purchaser) and that interest payments on the notes are treated in part as payments of interest and in part as payments for the Put Option. Under this characterization, a percentage of each Contingent Coupon Payment would be treated as an interest payment for U.S. federal income tax purposes and a percentage of each Contingent Coupon Payment would be treated as payment for the Put Option for U.S. federal income tax purposes. The percentage treated as an interest payment for U.S. federal income tax purposes generally would equal our customary

market borrowing rate for this type of instrument without taking into account the Reference Assets and associated terms, the remaining percentage of the Contingent Coupon Payment would be in consideration of the Put Option.

If you receive the cash payment of the full Principal Amount of your notes upon the call or maturity, such payment is likely treated as (i) payment in full of the Principal Amount of the Debt Portion (which would not result in the recognition of gain or loss if you are an initial purchaser of the notes) and (ii) the lapse of the Put Option which likely results in your recognition of short-term capital gain in an amount equal to the amount paid to you for the Put Option and deferred as described in the preceding paragraph. If you receive a cash payment upon the maturity of your notes (excluding cash received as interest) of less than the full Principal Amount of your notes, such payment would likely be treated as (i) payment in full of the Principal Amount of the Debt Portion (which would not result in the recognition of gain or loss if you are an initial purchaser of your notes) and (ii) the cash settlement of the Put Option pursuant to which you paid to us an amount equal to the excess of the Principal Amount of your notes over the amount that you received upon the maturity of the notes (excluding cash received as interest) in order to settle the Put Option. If the amount paid to you for the Put Option and deferred as described in the preceding paragraph is less than the amount you are deemed to have paid to us to settle the Put Option, you will likely recognize short-term capital loss in an amount that is equal to such difference. Conversely, if the aggregate amount paid to you for the Put Option and deferred as described in the preceding paragraph is greater than the amount you are deemed to have paid to us to settle the Put Option, you will likely recognize short-term capital gain in an amount that is equal to such excess.

Upon the sale of notes, you would be required to apportion the value of the amount you receive between the Debt Portion and Put Option on the basis of the values thereof on the date of the sale. You would recognize gain or loss with respect to the Debt Portion in an amount equal to the difference between (i) the amount apportioned to the Debt Portion and (ii) your adjusted U.S. federal income tax basis in the Debt Portion (which would generally be equal to the Principal Amount of the notes if you are an initial purchaser of the notes). Except to the extent attributable to accrued but unpaid interest with respect to the Debt Portion, such gain or loss would be long-term capital gain or loss if your holding period is greater than one year. The amount of cash that you receive that is apportioned to the Put Option (together with any amount of premium received in respect thereof and deferred as described above) would be treated as short-term capital gain. If the value of the Debt Portion on the date of the sale of the notes is in excess of the amount you receive upon such sale, you would likely be treated as having made a payment (to the purchaser in the case of a sale) equal to the amount of such excess in order to extinguish your rights and obligations under the Put Option. In such a case, you would likely recognize short-term capital gain or loss in an amount equal to the difference between the premium you previously received in respect of the Put Option and the amount of the deemed payment made by you to extinguish the Put Option.

Certain notes may be treated as a single debt instrument subject to the special tax rules governing contingent payment debt instruments. If the notes are subject to such special rules applicable to contingent payment debt instruments, the amount of interest U.S. holders are required to take into account for each accrual period will be determined by constructing a projected payment schedule for the notes and applying rules similar to those for accruing original issue discount or OID on a hypothetical noncontingent debt instrument with that projected payment schedule. In addition to accruing interest income in accordance with the comparable yield, a U.S. holder will be required to make adjustments if the actual amounts that holder receives in any taxable year differs from the projected payment schedule. These rules could possibly have the effect of requiring U.S. holders to include amounts in income in respect of the notes prior to receipt of cash attributable to that income.

U.S. holders will recognize gain or loss on the sale, redemption or maturity of notes treated as contingent payment debt instruments in an amount equal to the difference, if any, between the amount of cash received at that time and their adjusted basis in the notes. In general, a U.S. holder s adjusted basis in such notes will equal the amount the holder paid for the notes, increased by the amount of interest that was previously accrued with respect to the notes. Any such gain will generally be ordinary income and any such loss that will generally be ordinary loss to the extent the interest included as income in the current or previous taxable years, and thereafter will be capital loss.

Medicare Tax

A U.S. holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) the U.S. holder s net investment income (or undistributed net investment income in the case of an estate or trust) for the relevant taxable year and (2) the excess of the U.S. holder s modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between $125,000 and $250,000, depending on the individual s circumstances). A holder s net investment income generally includes its interest income and its net gains from the disposition of notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the debt securities.

U.S. Backup Withholding and Information Reporting

Backup withholding and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain non-corporate holders of notes that are U.S. persons. Information reporting generally will apply to payments of principal of, and interest on, notes, and to proceeds from the sale or redemption of, notes within the United States, or by a U.S. payor or U.S. middleman, to a holder of notes that is a U.S. person (other than an exempt recipient, including a corporation, and certain other persons). The payor will be required to backup withhold on payments made within the United States, or by a U.S. payor or U.S. middleman, on a note to a holder of a note that is a

U.S. person, other than an exempt recipient, such as a corporation, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

Additionally, U.S. Holders that are individuals (and, to the extent provided in future regulations, certain entities) may be required to disclose information about their notes on Form 8938 Statement of Specified Foreign Financial Assets if the aggregate value of their notes and their specified financial assets exceeds $50,000 (or other thresholds depending on the individual s exact circumstances). Significant penalties can apply if a U.S. Holder fails to disclose its specified foreign financial assets. U.S. Holders should consult their own tax advisors regarding the possible implications of this legislation in their particular circumstances.

FATCA Withholding

The Foreign Account Tax Compliance provisions of the Code (FATCA) assist the IRS in enforcing U.S. taxpayer compliance. FATCA may impose a 30% withholding tax on payments of U.S. source income and on payments of gross proceeds from the sale, exchange or redemption of property that gives rise to U.S. source dividends or interest (as of 1 January 2019), in each case to (i) certain non-U.S. financial institutions that do not enter into and comply with an agreement to provide the IRS information about their accountholders (as defined for purposes of FATCA), comply with certain rules or law implementing an intergovernmental agreement between the United States and the non-U.S. financial institution s jurisdiction implementing FATCA with respect to such jurisdiction or otherwise qualify for an exemption from, or are deemed to comply with, FATCA (an institution meeting such requirements, a Compliant FFI) and (ii) certain other non-U.S. entities that do not provide payors information about their substantial U.S. holders or establish that they have no substantial U.S. holders.

Starting on the later of 1 January 2019 or the date of publication of final U.S. Treasury regulations defining the term foreign passthru payments (the Publication Date), FATCA may also impose withholding tax on such foreign passthru payments relating to obligations issued (or deemed re-issued) after the date that is six months after the Publication Date. Thus, the Issuer may in certain circumstances be required under FATCA to withhold U.S. tax at a rate of 30% on all or a portion of payments of principal and interest which are treated as foreign passthru payments made to (i) non-U.S. financial institutions (whether holding the notes as a beneficial owner or intermediary) unless the payee is a Compliant FFI or (ii) any holders that do not provide information sufficient to determine whether the payee is a U.S. person (Recalcitrant Holders). Whether or not FATCA withholding tax could apply to foreign passthru payments on the notes may depend upon an applicable intergovernmental agreement (IGA) relating to FATCA between the United States and the jurisdiction of the Issuer, Guarantor or the applicable Issuer Branch of Account.

The Bank is a Reporting Financial Institution (Reporting FI) pursuant to the US-Canada IGA. However, the FATCA rules, and in particular the rules governing foreign passthru payments, have not yet been fully developed, so the future application of FATCA to the Issuer and the holders of notes is uncertain. Noteholders may be required to provide certain information to the Bank or other payors in order (i) for holders to avoid FATCA withholding from payments on the notes, (ii) for the Bank to avoid the imposition of a FATCA withholding tax on payments to it or (iii) for the Issuer to comply with the rules under FATCA (including laws implementing an IGA thereunder). If a holder (including an intermediary) fails to provide the Issuer, or any other agent of the Bank with any correct, complete and accurate information that may be required for the Issuer to comply with FATCA and/or to prevent the imposition of FATCA withholding tax, the Issuer may withhold amounts otherwise distributable to the holder.

The requirements of the US-Canada IGA have been implemented through amendments to the Canadian Income Tax Act and the enactment of the Canada-United States Enhanced Tax Information Exchange Agreement Implementation Act (the US-Canada IGA Implementation

Act). Under the provisions of the US-Canada IGA Implementation Act, CIBC is required to determine whether financial accounts are held by U.S. persons and must report information on certain accounts owned or controlled by U.S. taxpayers, directly to the Canada Revenue Agency (the CRA). CIBC may be required to collect information from holders of notes (other than notes that are regularly traded on an established securities market for purposes of the IGA), including such holders status as a Specified U.S. Persons (as defined in the IGA) and report information regarding such holders investment in the notes to the CRA.

No additional amounts will be paid in respect of any U.S. tax withheld under the FATCA rules from payments on the notes. Potential investors should consult their tax advisers regarding the implications of the FATCA rules for their investment in notes, including the implications resulting from the status under these rules of each financial intermediary through which they hold notes.

While the notes are in global form and held within a clearing system, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the notes by the Bank, any paying agent or the depositary, given that each of the entities in the payment chain beginning with the Issuer and ending with the relevant clearing system is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the notes. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other

custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding.

Tax Consequences to Non-U.S. Holders

For purposes of this discussion, the term non-U.S. holder means a beneficial owner of a security that is not a partnership or other entity treated as a partnership and is not a U.S. holder. If you are a non-U.S. holder, you generally will not be subject to U.S. federal income or withholding tax for amounts paid in respect of the notes, provided that the payment is not effectively connected with your conduct of a U.S. trade or business. Notwithstanding the foregoing, gain from the sale or exchange of the notes or their settlement at maturity may be subject to U.S. federal income tax if you are a nonresident alien individual and are present in the U.S. for 183 days or more during the taxable year of the settlement at maturity, sale or exchange and certain other conditions are satisfied.

If you are engaged in the conduct of a trade or business within the U.S. and if gain realized on the settlement at maturity, sale or exchange of the notes, is effectively connected with the conduct of such trade or business (and, if certain tax treaties apply, is attributable to a permanent establishment maintained by the non-U.S. holder in the U.S.), you generally will be subject to U.S. federal income tax on such gain on a net income basis in the same manner as if you were a U.S. holder as described under the heading Tax Consequences to U.S. Holders, above. In addition, non-U.S. holders that are foreign corporations, may also be subject to a branch profits tax equal to 30% (or such lower rate provided by any applicable tax treaty) of a portion of their earnings and profits that are withdrawn from the U.S. for the taxable year that are effectively connected with their conduct of a trade or business in the U.S., subject to certain adjustments.

Notwithstanding the above, if we determine that there is a material risk that we will be required to withhold on any payments on the notes, we may withhold on any such payment to a non-U.S. holder at a 30% rate, unless such non-U.S. holder has provided to us (i) a valid IRS Form W-8ECI or (ii) a valid IRS Form W-8BEN or IRS Form W-8BEN-E claiming tax treaty benefits that reduce or eliminate withholding. If we elect to withhold and such non-U.S. holder has provided us with a valid IRS Form W-8BEN or IRS Form W-8BEN-E claiming tax treaty benefits that reduce or eliminate withholding, we may nevertheless withhold up to 30% on any payments if there is any possible characterization of the payments that would not be exempt from withholding under the treaty.

Section 871(m) of the Code and Treasury regulations promulgated thereunder (Section 871(m)) generally impose a 30% withholding tax on dividend equivalents paid or deemed paid to non-U.S. holders with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities (such equities and indices, U.S. Underlying Equities). Section 871(m) generally applies to instruments that substantially replicate the economic performance of one or more U.S. Underlying Equities, as determined upon issuance, based on tests set forth in the applicable Treasury regulations (a Specified Security). Specifically, Section 871(m) will apply if, at issuance, a financial instrument either meets (i) a delta test, if it is a simple contract, or (ii) a substantial equivalence test, if it is a complex contract. Section 871(m) provides certain exceptions to this withholding regime, in particular exempt financial instruments issued prior to 2021 that are not delta-one.

A determination that the notes are not subject to Section 871(m) is not binding on the IRS, and the IRS may disagree with this treatment. Moreover, Section 871(m) is complex and its application may depend on your particular circumstances. For example, if you enter into other transactions relating to U.S. underlying securities, you could be subject to withholding tax or income tax liability under Section 871(m) even if the notes are not Specified Securities subject to Section 871(m) as a general matter. You should consult your tax adviser regarding the potential application of Section 871(m) to the notes.