RULES FOR INDEX MANAGEMENT:

COMPONENT ELIGIBILITY AND INCLUSION

KBW develops and maintains indexes that seek to replicate certain market, industry, and geographic segments. In doing so, KBW will select publicly traded companies, or other publicly visible and quantifiable variables, that it deems appropriate for the purpose of constituting a certain segment.

For indexes comprised of publicly-traded companies, index constituents will be chosen on the basis of relevance to the market sector in question and, after due consideration, certain trading criteria including but not limited to:

- Stock Price & Stock Price Volatility
- Stock Price Correlation to Index Price
- Average daily trading volume
- Optionability of stock
- Market Capitalization
- Country of Origin – Example: United States for U.S. Indices
- Listed Exchange
- Perceived viability of listed company

Such metrics are necessary to ensure that the chosen constituents are not only reflective of the intended market segment, but are also tradable – that is, they provide sufficient liquidity that market participants will be able to effect basket trades for purposes of hedging, etc. Specific quantitative bounds will be followed for the above criteria (as guided by the relevant exchange rules). KBW product development and corporate research staff will consider these boundaries to ensure that the constituents are both representative and tradable.

Specifically, the indices will be designed and maintained so that financial instruments based on them will be in compliance with necessary listing/maintenance criteria dictated by subsections (b) and (c) of Rule 1009A (Designation of the Index) on the Philadelphia Stock Exchange. Component securities that fail to meet these standards will be replaced within the index according to the above described policies and procedures.

Periodic Component Adjustments

In the event that there is a change in the nature of any component stock (e.g., delisting, merger, acquisition, change of principal business, or otherwise) in the Index that will change the overall market character of the Index, KBW will take appropriate steps to remove the stock or replace it with another stock which would best represent the intended market character of the Index.

Companies that are the target of a merger or acquisition that will change the market character of the Index will be removed or replaced as close as practicable to the effective date of the transaction. Companies that have filed for bankruptcy will be removed or replaced as soon as practicable after such filing has occurred. Corporate restructuring will be analyzed on a case-by-case basis to determine the appropriate action to be taken.

KBW reserves the authority to add one or more Index-eligible stocks on a quarterly basis, or alternatively to remove any component stock on a quarterly basis if they believe such stock no longer provides adequate representation of the applicable sector or no longer maintains the character of the Index. In the case of a stock removal, KBW may choose to replace such stock with an Index-eligible stock at any time, but are not required to do so. At no time will the index membership drop below 16 members.

Calculation of the BKX, KIX, KRX, KSX, & MFX Indices
The Index is a float-adjusted modified capitalization-weighted index of 24 of the largest Banking/Insurance/Capital Markets/Mortgage related securities listed on National Stock Markets. Whereas the KRX is an equal weighted float-adjusted market capitalization index based on the 50 mid-cap banking companies. The value of the Index equals the aggregate value of the Index share weights of each of the component Index Securities multiplied by each such security's respective last sale price on the Stock Markets, divided by DIVISOR, and multiplied by the base value. DIVISOR serves the purpose of scaling such aggregate value (otherwise in the trillions) to a lower order of magnitude which is more desirable for Index reporting purposes. Ordinarily, whenever there is a change in Index share weights or a change in a component security included in the Index, the DIVISOR is adjusted to assure that there is no discontinuity in the value of the Index which might otherwise be caused by any such change. Accordingly, each Index Security's influence on the value of the Index is directly proportional to the value of its weight in the Index. The Index share weights noted above, which are based upon the total shares outstanding in each of the Index Securities, are additionally subject, in certain cases, to a rebalancing (see "The Index-Rebalancing of the Index"). The percentage of the Trust's assets invested in each of the Index Securities is intended to approximate the percentage each Index Security represents in the Index.

Rebalancing the BKX, KIX, KSX, & MFX Indices –Updated in November 2005
Effective after the close of trading on Nov. 3, 2005, the above Indices are calculated under a "float-adjusted modified capitalization-weighted" methodology, which is a hybrid between equal weighting and conventional capitalization weighting. This methodology is expected to: (1) retain in general the economic attributes of capitalization weighting; (2) promote portfolio weight diversification (thereby limiting domination of the Index by a few large stocks); (3) reduce Index performance distortion by preserving the capitalization ranking of companies; and (4) reduce market impact on the smallest Index Securities from necessary weight rebalancings. Under the methodology employed, on a quarterly basis, the Index Securities evaluate their current percentage weights (after taking into account such scheduled weight adjustments due to stock repurchases, secondary offerings or other corporate actions, mergers and index composition changes). Such quarterly examination will result in an Index rebalancing if either one or both of the following two weight distribution requirements are not met: (1) the current weight of the single largest market capitalization Index Security must be less than or equal to 10% and (2) the "collective weight" of those Index Securities whose individual current weights are in excess of 5.0%, when added together, must be less than or equal to 48.0%. The weights of all stocks greater than 10% will be scaled down proportionately for the "collective weight," so adjusted, to be set to 40.0%. The aggregate weight reduction among the stocks resulting from either or both of the above rescalings is then redistributed to the other stocks in the following iterative manner. In addition, a special rebalancing may be conducted, if it is determined necessary to maintain the integrity of the Index.

If either one or both of these weight distribution requirements are not met upon quarterly review or that a special rebalancing is required, a weight rebalancing will be performed. First, relating to weight distribution requirement (1) above, if the current weight of the single largest Index Security exceeds 10.0%, then the weights of all Stocks above 10% will be scaled down by enough for the adjusted weight of the single largest Index Security to be set to 8.0%. Second, relating to weight distribution requirement (2) above, for those Index Securities whose individual current weights or adjusted weights in accordance with the preceding step are in excess of 5.0%, if their "collective weight" exceeds 48.0%, then the weights of all stocks will be scaled down by just enough for the "collective weight," so adjusted, to be set to 40.0%. The aggregate weight reduction among the stocks resulting from either or both of the above rescalings will be redistributed equally to the remaining securities in the Index. Additional iterations will be performed until the accumulated increase in weight among the remaining securities exactly equals the aggregate weight reduction among the stocks from rebalancing in accordance with weight distribution requirement (1) and/or weight distribution requirement (2).

Then, to complete the rebalancing procedure, once the final percent weights of each Index Security are set, the Index share weights will be determined anew based upon the last sale prices and aggregate capitalization of the Index at the close of trading on the Thursday in the week immediately preceding the week of the third Friday in March, June, September, and December. Changes to the Index share weights will be made effective after the close of trading on the third Friday in March, June, September, and December and an adjustment to the divisor will be made to ensure continuity of the Index. Ordinarily, new rebalanced weights will be determined by applying the above procedures to the current Index share weights.

Calculation & Rebalancing the KBW Regional Banking Index (KRX): –Updated in February 2012

Effective after the close of trading on Thursday, February 2, 2012, the KBW Regional Banking Index (KRX) will be using a new weighting methodology. Historically, KRX has been calculated using a float-adjusted equal-weighted market capitalization methodology.

Under the methodology employed, on a quarterly basis, the index committee will evaluate the components' current percentage weights (after taking into account such scheduled weight adjustments due to stock repurchases, secondary offerings or other corporate actions, mergers and index composition changes). Such quarterly examination will result in an Index rebalancing if either one or both of the following two weight distribution requirements are not met:

(1) the current weight of the single largest float adjusted market capitalization index security must be less than or equal to 4.0% for the top 25 stocks and 3.0% for the next 25 stocks and
(2) the "collective weight" of those index securities whose individual current weights are in excess of 4.0% for the top 25 stocks and 3.0% for the next 25 stocks, when added together, must be less than or equal to 48.0%.

The weights of all stocks greater than 4.0% for the top 25 stocks and 3.0% for the next 25 stocks will be scaled down proportionately for the "collective weight," so adjusted, to be set to 40.0%. The aggregate weight reduction among the stocks resulting from either or both of the above rescaling will be redistributed equally to the other stocks in the following iterative manner. In addition, a special rebalancing may be conducted, if it is determined necessary to maintain the integrity of the Index.
If either one or both of these weight distribution requirements are not met upon quarterly review or that a special rebalancing is required, a weight rebalancing will be performed. First, relating to weight distribution requirement (1) above, if the current weight of the single largest index security exceeds 4.0% for the top 25 stocks and 3.0% for the next 25 stocks, then the weights of all stocks above 4.0% for the top 25 stocks and 3.0% for the next 25 stocks will be scaled down by enough for the adjusted weight of the single largest index security to be set to 2.0%. Second, relating to weight distribution requirement (2) above, for those index securities whose individual

current weights or adjusted weights in accordance with the preceding step are in excess of 4.0% for the top 25 stocks and 3.0% for the next 25 stocks, if their "collective weight" exceeds 48.0%, then the weights of all stocks will be scaled down by just enough for the "collective weight," so adjusted, to be set to 40.0%. The aggregate weight reduction among the stocks resulting from either or both of the above rescaling will then be redistributed to the remaining securities in the Index. Additional iterations will be performed until the accumulated in-crease in weight among the remaining securities exactly equals the aggregate weight reduction among the stocks from rebalancing in accordance with weight distribution requirement (1) and/or weight distribution requirement (2).

Then, to complete the rebalancing procedure, once the final percent weights of each index security are set, the index share weights will be determined anew based upon the last sale prices and aggregate float adjusted equal market capitalization of the index at the close of trading on the Friday in the week immediately preceding the week of the third Friday in March, June, September, and December. Changes to the Index share weights will be made effective after the close of trading on the third Friday in March, June, September, and December and an adjustment to the divisor will be made to ensure continuity of the Index. Ordinarily, new rebalanced weights will be determined by applying the above procedures to the current Index share weights.

Specific Rules for Each Index:

Rules for the Modified Market Cap Indices: BKX, KIX, KSX, MFX

The four largest stocks, in each index were assigned maximum initial weights equal to the lesser of their actual capitalization weight or 10% in the index. All other stocks with a capitalization weight of more than 4.5% were assigned initial weights of 4.5% in the index. All stocks with capitalization weights under 4.5% will share equally in the weight available for redistribution, but none of these stocks will be assigned an initial weight of more than 4.5%.

Based on capitalizations as of the close on the Monday before the third Saturday of the last month in each calendar quarter, the index re-balancing will be calculated according to the following rules:

1. If any of the top four largest stocks index weightings have increased beyond 10%, their weighting will be reduced to a maximum of 8% in the quarterly rebalancing.
2. If any of the remaining stocks' weightings have increased beyond 5%, their weightings will be reduced to a maximum of 4.0% in the rebalancing.
3. If any of the top four stocks' weightings have dropped below 6%, their weightings will be increased to the lesser of their actual capitalization weight or 8% in the rebalancing.
4. Any excess weighting available will be redistributed equally to the remaining stocks per the rebalancing methodology and any weighting needed to increase weighting in the larger stocks will be taken from the smaller stocks in the same manner as in the initial allocation at the time of the rebalancing.
5. The rebalancing will be implemented at the close on the Friday before the third Saturday of the last month in each calendar quarter.

Rules for the KBW Regional Banking Index (KRX)

Based on capitalizations as of the close on the Monday before the third Saturday of the last month in each calendar quarter, the index re-balancing will be calculated according to the following rules:

KRX will be weighted based on a two-group methodology incorporating new caps and floors for the 50 stocks.

For the largest 25 stocks by float-adjusted market capitalization, the new cap will be 4% and the floor will be 1%.

For the next 25 stocks by float-adjusted market capitalization, the new cap will be 3% and the floor will be 1%.

- The weights of all stocks greater than 4.0% for the top 25 stocks and 3.0% for the next 25 stocks will be scaled down proportionately for the "collective weight," so adjusted, to be set to 40.0%.
- The aggregate weight reduction among the stocks resulting from either or both of the above rescaling will be redistributed equally to the other stocks in the following iterative manner. In addition, a special rebalancing may be conducted, if it is determined necessary to maintain the integrity of the Index.
- If either one or both of these weight distribution requirements are not met upon quarterly review or that a special rebalancing is required, a weight rebalancing will be performed.
- First, relating to weight distribution requirement (1) above, if the current weight of the single largest index security exceeds 4.0% for the top 25 stocks and 3.0% for the next 25 stocks, then the weights of all stocks above 4.0% for the top 25 stocks and 3.0% for the next 25 stocks will be scaled down by enough for the adjusted weight of the single largest index security to be set to 2.0%.
- Second, relating to weight distribution requirement (2) above, for those index securities whose individual current weights or adjusted weights in accordance with the preceding step are in excess of 4.0% for the top 25 stocks and 3.0% for the next 25 stocks, if their "collective weight" exceeds 48.0%, then the weights of all stocks will be scaled down by just enough for the "collective weight," so adjusted, to be set to 40.0%.
- The aggregate weight reduction among the stocks resulting from either or both of the above rescaling will then be redistributed to the remaining securities in the Index. Additional iterations will be performed until the accumulated increase in weight among the remaining securities exactly equals the aggregate weight reduction among the stocks from rebalancing in accordance with weight distribution requirement (1) and/or weight distribution re-quirement (2).

Rules for KDX, KYX, KGX, KPX: –Updated in December 2010

KBW Financial Sector Dividend Yield Index (KDX)

Calculation Methodology: The KBW Financial Sector Dividend Yield Index is calculated using a dividend yield weighted methodology. The securities comprising the Underlying Index are selected based on their ability to pay income. KBW uses the Free Cash Flow from Operations (FCF) to derive the dividend payout ratios and arrive at the universe of the approximately 24 to 40 best paying publicly listed financial companies. The securities comprising the Underlying Index are selected based on their ability to pay dividends.

The four or five largest companies in the Underlying Index will be assigned maximum initial weights equal to the lesser of their actual dividend yield weight or 8% in the reconstituted Underlying Index. All other companies with a dividend yield weight of more than 5% will be assigned initial weights of 4% in the reconstituted Underlying Index. All companies with capitalization weights under 4% will share equally in the weight available for redistribution, but none of these companies will be assigned an initial weight of more than 4%.

Rebalancing: Based on dividend yields as of the close on the third Friday of the last month in each calendar quarter, the Underlying Index is rebalanced and is reviewed at-least annually by KBW.

KBW Premium Yield Equity REIT Index (KYX)

Calculation Methodology: The KBW Premium Yield Equity REIT Index is calculated using a dividend yield weighted methodology. The securities comprising the Underlying Index are selected based on their ability to pay income. KBW uses the Adjusted Free Flow from Operations (AFFO) to derive the dividend payout ratios and arrive at the universe of the approximately 24 to 40 best paying small- and mid-cap equity REITs.

The four or five largest companies in the Underlying Index will be assigned maximum initial weights equal to the lesser of their actual dividend yield weight or 8% in the reconstituted Underlying Index. All other companies with a dividend yield weight of more than 5% will be assigned initial weights of 4% in the reconstituted Underlying Index. All companies with capitalization weights under 4% will share equally in the weight available for redistribution, but none of these companies will be assigned an initial weight of more than 4%.

Rebalancing: Based on dividend yields as of the close on the third Friday of the last month in each calendar quarter, the Underlying Index is rebalanced and is reviewed at-least annually by KBW.

KBW Global ex-U.S. Financial Sector Index (KGX)

Calculation Methodology: The KBW Global ex-U.S. Financial Sector Index is a modified capitalization weighted index of about 60 of the largest (as defined by their float adjusted market capitalization) global ex-U.S. companies in the financial sector publicly listed within the United States through an ADR and traded in U.S. dollars.

The four or five largest companies in the Underlying Index will be assigned maximum initial weights equal to the lesser of their actual capitalization weight or 8% in the reconstituted Underlying Index. All other companies with a capitalization weight of more than 5% will be assigned initial weights of 4% in the reconstituted Underlying Index. All companies with capitalization weights under 4% will share equally in the weight available for redistribution, but none of these companies will be assigned an initial weight of more than 4%.

Rebalancing: Based on dividend yields as of the close on the third Friday of the last month in each calendar quarter, the Underlying Index is rebalanced and is reviewed atleast annually by KBW.

KBW Property & Casualty Insurance Index (KPX)

Calculation Methodology: The KBW Property & Casualty Index is a modified capitalization weighted index of approximately 24 of the largest (as defined by their float adjusted market capitalization) companies in the property and casualty insurance industry publicly listed within the United States and traded in U.S. dollars.

The four or five largest companies in the Underlying Index will be assigned maximum initial weights equal to the lesser of their actual capitalization weight or 8% in the reconstituted Underlying Index. All other companies with a capitalization weight of more than 5% will be assigned initial weights of 4% in the reconstituted Underlying Index. All companies with capitalization weights under 4% will share equally in the weight available for redistribution, but none of these companies will be assigned an initial weight of more than 4%.

Rebalancing. Based on dividend yields as of the close on the third Friday of the last month in each calendar quarter, the Underlying Index is rebalanced and is reviewed atleast annually by KBW.

Quarterly Rebalancing:

Based on either the yields (for dividend yield weighted indices) or capitalizations (for market-cap weighted indices) as of the close on the third Friday of the last month in each calendar quarter, the Underlying Index is rebalanced according to the following rules:

- If any of the top four or five companies' Index weightings have increased beyond 10%, their weighting will be reduced to a maximum of 8% in the quarterly rebalancing;
- If any of the remaining companies' weightings have increased beyond 5%, their weightings will be reduced to a maximum of 4% in the rebalancing;
- If any of the top four or five companies' weightings have dropped below 6%, their weightings will be increased to the lesser of either their dividend yield weight / float adjusted capitalization weight or 8% in the rebalancing; and
- Any excess weighting available will be equally distributed to the smaller companies and any weighting needed to increase weighting in the larger companies will be taken from the smaller companies in the same manner as in the initial allocation at the time of the rebalancing.

Under the methodology employed, on a quarterly basis, the index committee will evaluate the components' current percentage weights (after taking into account such scheduled weight adjustments due to dividend increases/decreases, stock dividends, stock repurchases, secondary offerings or other corporate actions, mergers and index composition changes). Such quarterly examination will result in an index rebalancing if either one or both of the following two weight distribution requirements are not met:

(1) The current weight of the single largest index security must be less than 10%; and

(2) The "collective weight" of those index securities whose individual current weights are in excess of 5.0%, when added together, must be less than or equal to 40.0%.

If either one or both of these weight distribution requirements are not met upon quarterly review or if a special rebalancing is required, a weight rebalancing will be performed. First, relating to weight distribution requirement (1) above, if the current weight of the single largest index security exceeds 10%, then the weights of all stocks above 10% will be set to 8%. Second, relating to weight distribution requirement (2) above, for those index securities whose individual current weights or adjusted weights in accordance with the preceding step are in excess of 5.0%, if their "collective weight" exceeds 40.0%, then the weights of all stocks will be scaled down by just enough for the "collective weight," so adjusted, to be set to 40.0%. The aggregate weight reduction among the securities resulting from either or both of the above re-scalings is redistributed to the remaining securities in the Underlying Index.

Additional iterations will be performed until the accumulated increase in weight among the remaining securities exactly equals the aggregate weight reduction among the securities from rebalancing in accordance with weight distribution requirement (1) and/or weight distribution requirement (2). Then, to complete the rebalancing procedure, once the final percent weights of each index security are set, the index share weights will be determined anew based upon the last sale prices and aggregate modified market capitalization of the index at the close of trading on the Thursday in the week immediately preceding the week of the third Friday in March, June, September and December. Changes to the index share weights will be made effective after the close of trading on the third Friday in March, June, September, and December. Ordinarily, new rebalanced weights will be determined by applying the above procedures to the current index share weights.