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The established systematic value method is considered an “aggregated cash flow” (ACF) method in which the cash flow streams from the individual bond holdings are aggregated into a single cash flow stream. These cash flows are scaled such that, when equated with the market price at which the ETF was purchased or sold, an internal rate of return is calculated, representing the investor’s initial book yield for the ETF. Although the initial book yield is utilized to determine the current period effective yield, and the resulting adjustments to the ETF’s reported (systematic) value, the book yield is recalculated at least quarterly in order to adjust the investor’s book yield to reflect current cash flow projections of the current bond holdings within the ETF.

The following calculation shall be followed by reporting entities electing systematic value:

1. Download cash flows file from ETF provider website		
NAV:	\$115.07	(Official end of day NAV, found on ETF provider website)
"Maturity":	12/8/2027	=SUMPRODUCT(Cashflow Dates Column, Principal Column)/SUM(Principal Column)
When paid:	monthly	
"Par value":	2500	# shares purchased
Monthly Effective Interest:	\$0.40	= (Recalculated Effective Book Yield from prior month x Prior Month Ending Book Value /12)
Distribution:	\$0.34	Found on provider website
Net "amortization/accretion":	\$0.06	= (Monthly Effective Interest) - (Distribution)
Prior Month Ending Book Value:	\$115.35	
NPV "Constant Yield Method"	\$117.10	= XNPV (Initial Book Yield, Cashflow column, Cashflow Date column) / 1000000
Initial Book Yield	4.15%	
Book ("Systematic") Value:	\$115.41	= (Prior Period Ending Book Value) + (Net "amortization/accretion")
Expense Ratio	0.1500%	
Recalculated Effective Book yield:	4.1639%	=XIRR(cashflows column, Cashflow Date column, 0.05)

**\*Note:**  
 All formulas on the left are at a per share level (excepting "Par Value" which represents the number of shares purchased for this lot).  
  
 The resulting values calculated on the left are aggregated to reflect the total number of shares held on the previous tabs reflecting how one might populate Schedule D Part 1 with these values.  
  
 Additionally, the cash flows in the data file are based on 1 million shares. This was done in order to make the cash flows easier to observe and work with (i.e. at a single share level, cash flows would be at fractional dollar levels). Therefore, in order to calculate the yield, investors must multiply the price of the ETF by 1 million shares and then use that value as a cash outflow against the positive cash inflows from the bond portfolio in order to calculate the IRR.

CUSIP	ASOF DATE	CALL TYPE	CASHFLOW DATE	INTEREST	PRINCIPAL	CASHFLOW
2. Insert a row in between the column headings and the cashflow data.		3. Filter for "Call Type" WORST (click "Data" at the top of Excel sheet, then click "Filter" and click the new dropdown box in the "Call Type" cell and select only "WORST").		4. Enter the date of the cashflow data file underneath cashflow date		5. Under the column "Cashflow" enter the following formula in Excel: =(-Ending Book Value)*1000000
			8/31/2015			(115,414,059.56)
"Ticker"	8/31/2015	WORST	9/8/2015	136538.564	81472.372	218010.937
"Ticker"	8/31/2015	WORST	9/9/2015	5990.106	0	5990.106
"Ticker"	8/31/2015	WORST	9/10/2015	9706.324	0	9706.324