

# iNAV+ Calculation

# iNAV+ Pricing Model

The iNAV+ solution uses a standard end of day NAV calculation methodology adjusted to calculate on a per-second basis.

The standard iNAV formula is:

$$iNAV = \frac{\sum_{i=1}^n x_{i,t} * p_{i,t} * fx_{i,t} + Cash}{CU_t}$$

where  $x_{i,t}$  = number of shares of component i at time t

$x_{i,t}$  = number of shares of component i at datetime t

$p_{i,t}$  = price of component i at datetime t

$fx_{i,t}$  = foreign exchange rate of component i at datetime t

$CU_t$  = creation units at datetime t

The iNAV+ solution uses a waterfall pricing hierarchy to capture the best possible price for the position no matter the market conditions. There are two pricing models to calculate the iNAV: live or fair value (FV) adjusted.

## Live Pricing Model

When there is an open market, the market price is applied to the standard iNAV formula

## Fair Value model

When the market is closed, a fair value price is applied to the standard iNAV formula.

Fair Value uses a dynamic multi-factor model that identifies the statistical relationship between securities trading in foreign markets and various proxies liquidly traded in the fair value observation period. It is applied on a per instrument level using a set of global risk factors to minimize the tracking error on a close to open basis. A per instrument model is used so that each instrument and, as a result, each ETF is priced agnostically with the highest accuracy possible. This will allow for the most accurate representation of all metrics of the underlying instruments during active hours and then fair valuing each by various risk factors over market close hours.

As each new ETF that is priced in the iNAV+ solution is rigorously tested against live market pricing and daily fund NAVs to ensure the iNAV+ tracks with a lowest tracking error on a short-term and medium-term basis and, if certain tolerances are not met, an ETF level model will be constructed based on the ETF structure and a similar set of risk factors will be deployed in the regression.

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