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1. Who is ZACKS

Zacks Investment Research

Zacks Investment Research was formed in 1978 to compile and analyze brokerage research for both institutional and individual investors. The guiding principle behind the work is the belief that there must be good reason for brokerage firms to spend over a billion dollars a year to research stocks to recommend to their clients. Obviously, these investment experts know something special that may be indicative of the future direction of stock prices. Zacks was determined to unlock that secret knowledge and make it available to clients to help them improve their investment results.

This massive undertaking requires Zacks to continually process reports issued by approximately 3,000 analysts from 150 brokerage firms. At any given point in time, Zacks is monitoring well over 200,000 earnings estimates and brokerage recommendation data points, looking for any change - whether it be an upgrade from a "hold" to a "buy" or a revision in an analyst's forecast for a specific quarter or fiscal year. Zacks constantly compiles and updates this information, distributing it to institutional investors and many financial web sites. Zacks ability to gather, analyze, and distribute information on a timely basis makes Zacks' research amongst the most widely used in the industry.

Zacks Investment Management

Zacks Investment Management (ZIM), a wealth management boutique, is an expert on earnings and using earnings estimates in the investment process. The firm is a wholly owned subsidiary of Zacks Investment Research. ZIM employs quantitative models that are made available to both retail and institutional clients through separately managed accounts and mutual funds. Zacks Index Services (ZIS), a division of ZIM, creates and maintains proprietary, quantitative portfolio strategies that are licensed to product sponsors and serve as the basis of investment products such as ETFs, UITs, and CEFs.
2. INDEX SUMMARY

<table>
<thead>
<tr>
<th><strong>Full Name</strong></th>
<th>Zacks Micro Cap Index</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Index Types</strong></td>
<td>Price Appreciation Index (Ticker: ZAX)</td>
</tr>
<tr>
<td></td>
<td>Total Return Index (Ticker: ZAXTR)</td>
</tr>
<tr>
<td><strong>Eligible Stocks</strong></td>
<td>All Common Stocks that are listed in U.S. Exchanges</td>
</tr>
<tr>
<td><strong>Number of Constituents</strong></td>
<td>400</td>
</tr>
<tr>
<td><strong>Weighting Scheme</strong></td>
<td>Modified Equal Weighting</td>
</tr>
<tr>
<td><strong>Rebalancing &amp; Reconstitution Frequency</strong></td>
<td>Effective Quarterly in March, June, September and December</td>
</tr>
<tr>
<td><strong>Calculation Frequency</strong></td>
<td>Price Return: 15 seconds between 00:30 &amp; 18:00 ET</td>
</tr>
<tr>
<td></td>
<td>Gross Total Return: 15 seconds between 00:30 &amp; 18:00 ET</td>
</tr>
<tr>
<td><strong>Base date</strong></td>
<td>2000/1/3</td>
</tr>
<tr>
<td><strong>Base level</strong></td>
<td>1000.00</td>
</tr>
<tr>
<td><strong>Historical Returns available since</strong></td>
<td>2000/1/3</td>
</tr>
<tr>
<td><strong>Derivatives and Linked Products</strong></td>
<td>PowerShares Zacks Micro Cap Portfolio (Ticker: PZI)</td>
</tr>
</tbody>
</table>
3. INDEX METHODOLOGY

3.1 Overview

The Zacks Micro Cap Index is designed to identify a group of micro-cap stocks with the greatest potential to outperform passive benchmark micro-cap indexes and other actively managed U.S. micro-cap strategies. Due to their low correlation to large, medium and small-sized companies, micro caps may complement existing blended portfolios by improving risk-adjusted performance. The index constituent selection methodology utilizes momentum, value and liquidity to target securities that offer the greatest potential to outperform on both an absolute and risk-adjusted basis while maintaining industry diversification.

For more information please visit www.zacksindexservices.com.

3.2 Investable Universe

Stocks that meet the following criteria are included in the investable universe:

- Equity shares that are traded on major exchanges within the U.S., such as the NYSE, NASDAQ, and NYSE MKT. OTC-traded stocks, ADRs, Investment Funds and Index are ineligible.
- Current Share Price of at least $2.00.
- Stocks whose current Market Capitalization lies between 0.015% and 0.15% of the greatest Market Cap.

Note: Identify the stock with greatest Market Cap; Percentage of the greatest Market Cap is defined as current Market Cap divided by the greatest Market cap.

3.3 Selection & Weighting

1. Divide stocks into “Liquid” and “Illiquid” groups according to 2-Month Average Daily Price * Volume.

   - If the average daily Price * Volume during the past two months is greater than or equal to 1,000,000, the underlying stock is classified as a “liquid” stock.
   - If the average daily Price * Volume is less than 1,000,000, then the underlying stock is classified as an “illiquid” stock.
2. Rank all the stocks according to their Price-to-Book value in an ascending order within each sub group. (Stocks with lower P/B values are assigned with lower numbers.) Simultaneously, rank all the stocks within each group according to their Price Momentum value in a descending order. (Note: Stocks with higher momentum are assigned lower numbers; Price Momentum is defined as “Current Price / Price 12-Month ago”.)

3. Rank according to Model Raw Score within each sub group. Model Raw Score is defined as sum of “Price-to-Book” and “Price Momentum”.

4. Select Top 300 companies in the Liquid group. Select Top 100 companies in the Illiquid group. (Note: “Top” means stocks with lower Model Raw Scores.)

5. Equally weight all 400 stocks in the final portfolio. Each constituent receives 0.25% weight.

6. The index is subject to the following constraints at Reconstitution/ Rebalance:
   
   a) Maintain 400 stocks with 300 liquid and 100 illiquid stocks. QC includes underlying Security Type, Price, Market Cap, M&A and Current News.
   b) If any company is kicked out during the QC process, the next best company replaces the one being kicked out.

3.4 Rebalancing Frequency

The index is to be reconstituted and rebalanced once a quarter as per the rules and methodology laid out above.

3.5. Corporate Actions

The Index may be adjusted for intra-rebalance corporate actions in order to maintain the continuity of the index level and composition. These adjustments take place in reaction to events that occur on the company/constituent level and are designed to mitigate or eliminate the effect of those events on the index performance. This ensures that the index continues to only reflect the performance of the underlying portfolio as accurately as possible.

Any stock that is not available for trading due to a merger, acquisition, delisting or bankruptcy is deleted from the Index on the effective date of the corporate event. There will normally be no replacement for the company being removed. If a company is removed from the index, the index divisor will be adjusted to maintain the index level.
If there is a merger or acquisition between two members of the Index, then the acquired company will be deleted and the shares of the acquirer will be increased as per the terms of the merger consideration paid in shares. If there is an acquisition of a member of the Index by a non-member, then the acquired company will be deleted from the index. If there is an acquisition of a non-member by a member of the index, then there will be no changes made.

If a company files for bankruptcy, then the company will be deleted from the index effective for the next trading day. The price of the deletion will be set to its closing price on the OTC markets, if it is available for trading that day. If the stock does not trade on the OTC markets, and a price is not readily available, the Index Committee reserves the right to set a price at which it will be deleted. This price could be equal to $0, if there is no available indication of its current value.

In the situation that trading in shares is suspended or halted, the last known price established during regular trading on the primary exchange will be utilized. In extraordinary situations, a company could be valued at a price of $0 by the Index Committee if there is some sort of financial distress or bankruptcy situation present.

In the event of a spin-off by a constituent of the index, the price of the parent company will be adjusted by the value of the spun-off entity. The shares of the parent company will be increased to maintain the existing constituent weighting within the index.

Regular cash dividends will be accounted for in the total return version of the index. Dividends that are deemed to be special cash dividends will be adjusted for via a price adjustment and corresponding share increase to maintain the constituent’s existing weighting within the index. Dividends will be judged to be special by the Index Committee taking into account the size of the dividend as well as more commonly the identification of the dividend relative to the timing of its normal dividend reporting schedule.

In the case of a rights issue being offered by an index constituent, the price of that constituent will be adjusted for by the value of the right effective for the ex-date. The shares of the constituent will be increased to maintain the constituent’s existing weighting within the index. The rights issue will only be adjusted for if the rights represent a positive value, or are in-the-money. Alternatively, the rights issue will also be adjusted for if the rights can be converted into a tangible cash value.

For bonus issues, stock splits and reverse stock splits, the number of shares included in the index will be adjusted in accordance with the ratio given in the corporate action. Since the event won’t change the value of the company included in the index, the divisor will not be changed because of this.

Changes in the number of shares outstanding, typically due to share repurchases, tenders, or offerings, will not be reflected in the index.
4. Index Calculation & Dissemination

NYSE Arca, Inc., a wholly-owned subsidiary of NYSE Group, Inc. (“the Agent”, hereafter), has been selected as an index calculation agent acting on behalf of ZIS. The Agent calculates the index values for both the Price and Total Return indexes, and handles index maintenance work such as the application of corporate actions and implementation of rebalances, all according to the specifications provided by ZIS. The Agent also updates and disseminates the index values, notably, through Bloomberg and Reuters through its NYSE Global Index Feed (GIF).

5. DISCLAIMER

Cases uncovered by the rules provided in this document

Should ZIS encounter cases that are not covered by the rules provided in this document, ZIS reserves the right to apply an adjustment to the rules that are believed to be along the lines of the purpose of the index.

Index Rule Changes

ZIS reserves the right to amend or withdraw the index rules in whole or in part at any time. ZIS and its affiliates (Zacks Investment Management and Zacks Investment Research) are not liable for any losses resulting from the index rule changes.

Liability

Although ZIS will do its best to ensure the accuracy of all the data and the calculations involved in the periodic index updates, it is not liable for any unforeseen outcomes caused by any inaccuracy in data or human errors.

Ownership

ZIS is the owner of all intellectual and other property rights to the index, including the name, the composition and the calculation of the index.