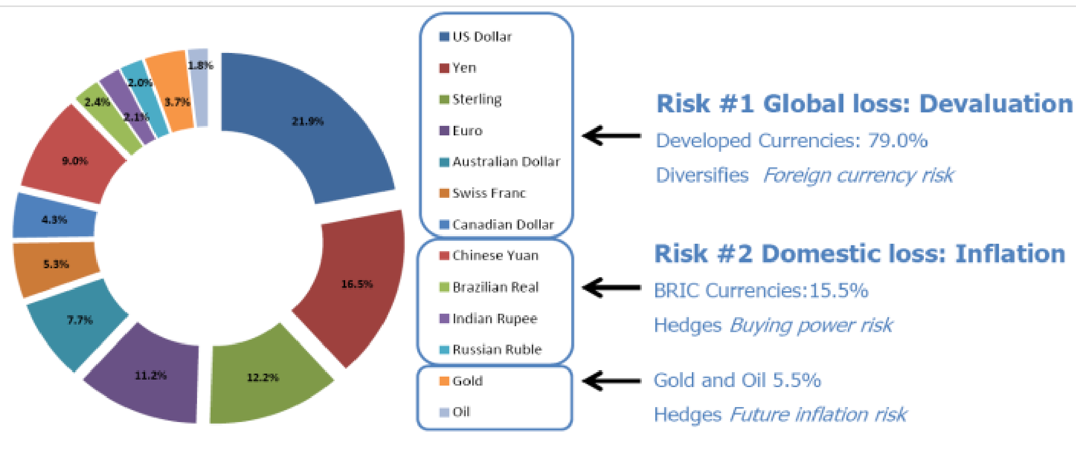
MOUNTAIN PACIFIC GROUP
GLOBAL INVESTORS ®

FTSE WPU: Frequently Asked Questions

1. What is FTSE WPU?

FTSE World Parity Unit (WPU®) is a basket of eleven currencies and two commodities, Gold and oil. FTSE WPU is designed to preserve investors' long term wealth in global terms. Currencies have the short run risk of devaluation, which causes a loss of *global* purchasing power. Currencies also have the long run risk of loss of inflation, which erodes *domestic* purchasing power. Careful diversification can minimize these two risks.



Datasource: FTSE & MPG, weights as of February 2014.

Global investors have very large, and highly concentrated, exposures to the US Dollar, Euro and Yen. Hedging concentrated currency exposures into FTSE WPU reduces the currency risk by diversification: WPU has a volatility of 5.4% measured against the US Dollar. The current yield on WPU is ~1.5% pa.

2. Why does FTSE WPU have low risk?

FTSE WPU contains *all* the major currencies. If one currency is going down, then another *has* to be going up. If the Euro falls, then the US Dollar is rising – and vice versa. So any loss against a major currency is reduced by diversification.

This is in contrast to equities, where sometimes all global markets *and* the Gold price *and* the Swiss Franc go down together. During these periods, diversification and the safe havens do not work. There is no diversification, and wealth is lost.

3. What is the value of one FTSE WPU?

FTSE WPU is quoted in the amount of US Dollars per unit of WPU®. As of May 1st 2014, the spot value one WPU® was equal to 0.96 cents. FTSE WPU commenced in 2012 at 1 to the US Dollar. The interest rate on WPU® is currently over 1.5% pa, this compensated for the small decline in the spot WPU® exchange rate against the US Dollar over this period.

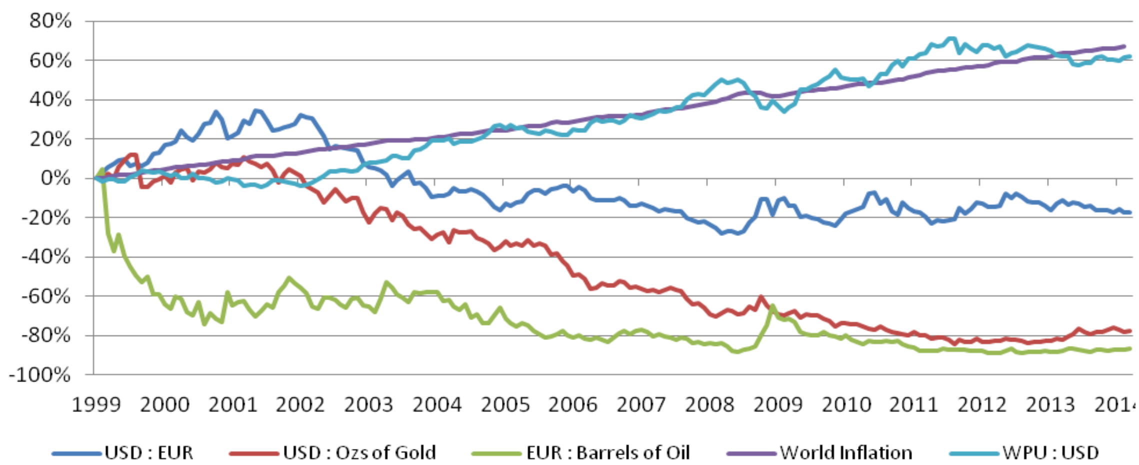
Copyright 2014 by Mountain Pacific Group, LLC, all rights reserved

4. Where can I find the price of FTSE WPU?

The price of FTSE WPU is published daily by FTSE and disseminated by data vendors.

5. What has the historic performance of FTSE WPU been?

The return on FTSE WPU depends on the currency in which the return is measured. The chart below shows the returns if an investor had hedged US Dollar exposure into FTSE WPU.



Source: OECD and Reuters.

Note that many currencies are themselves very volatile, so they will periodically rise and fall against FTSE WPU. This highlights the point that an investor's local currency is often volatile, when measured in terms of global value.

6. How can I buy FTSE WPU?

FTSE WPU is a currency basket. It can be provided by financial institutions in the form of overlays, swaps, ETFs, ETNs, etc. An investor can also buy the components of FTSE WPU in a portfolio with the FTSE WPU weights.

Investors can keep their capital where it is currently invested. Then they separately hedge the existing currency risk into a FTSE WPU forward contract. So the current investments of capital are not disturbed.

7. What is the likely future return of FTSE WPU against the US Dollar?

FTSE WPU is designed to appreciate long term against the US Dollar. This is due to both its protection against inflation and its exposure to developing market currencies that will appreciate against the US dollar over the long-term. The chart below shows the Federal Reserve's measurement of the trend in the US Dollar's global value[1].

[1] Source: Federal Reserve Bank of St Louis, https://research.stlouisfed.org/fred2/series/TWEXB April 30, 2014.

Copyright 2014 by Mountain Pacific Group, LLC, all rights reserved

The major reserve currencies are now on a long run downtrend in global value. This is due to the size of their debts and aggressive quantitative easing. A similar decline happened to the Pound Sterling in the second half of the last century, as the US and other countries grew: one Pound Sterling was worth US$ 4.03 in 1945.

8. How can I make money from FTSE WPU?

Investors
Investors benefit because FTSE WPU provides a cheaper and very liquid solution to managing their existing developed market, paper currency risk. Another way to address the risk that paper currencies will lose their purchasing power is to invest more capital into emerging markets and real assets. But doing this ties up capital. Such investments are often highly illiquid, with high volatility and high trading costs. FTSE WPU is liquid, it is much less risky and has lower bid offer spreads. By separating the investing capital from managing currency risk, the underlying investment portfolio is not disturbed.

Investment Managers
Investment managers can immediately differentiate their existing strategies, and expand their global client base, by offering share classes on their strategies hedged into FTSE WPU. Hedging into FTSE WPU bypasses the very difficult discussion of how an overseas investor should handle the currency risk.

Banks/ Investment Banks
Banks/investment banks can differentiate their products and expand their client base by market making in FTSE WPU.   FTSE WPU is a spot reference index. Clients need to hedge their existing currency exposures into a long FTSE WPU exposure on an ongoing basis. This helps the clients and it also provides an attractive and very stable natural flow of hedging transactions.

UNHW Investors and Family Offices
The first priority of UHNW investors is preserving wealth for the future generations. UHNW investors are truly global citizens. Their wealth should not be measured in just one currency – as that currency may fall in global value. When the Euro fell against the US Dollar, a manager should be able to tell their clients how much wealth they have lost in *global* terms.

Historically, investment managers measured their clients' wealth in just one currency: the home currency, US Dollars or Swiss Francs. For clients outside Europe, most managers measured

Copyright 2014 by Mountain Pacific Group, LLC, all rights reserved

performance in US Dollars. As a result, many UHNW investors in South America, South East Asia and the Middle East hold portfolios which are highly exposed to US Dollars. Currently being long the US Dollar is beneficial. But maybe next year the US Dollar will start to fall.

UHNW investors do hold investments in many countries. But there is no independent measure of whether the resulting currency exposure preserved wealth, or caused a loss of wealth. FTSE WPU is a neutral global currency unit designed to preserve long term wealth. At a minimum, UHNW clients should know the value of their wealth in *global* terms.

Sovereign Wealth Funds
Sovereign Wealth Funds have to establish a neutral currency benchmark in which to measure their returns. Historically SWFs employed either the US Dollar or a mix very heavily weighted to US Dollars and Euros. These countries are subject to credit downgrade and offer interest rates which are below their inflation rates. FTSE WPU offers a less risk and a higher prospective return.

Pension Funds
Pension funds are globalizing their equity investments. This has sharply increased their foreign currency exposure. Funds hedge the foreign currency risk if they believe this will provide higher return and lower risk. If they do not hedge the foreign currency exposure, then in their developed market equity allocation they are 53% exposed to the US Dollar and 31% exposed to European currencies.

An 84% bet on the currencies of two economies is an extreme currency bet for a globally diversified portfolio. The US and Euro interest rates are below the inflation rates, so hedging these currencies is expensive. Hedging into FTSE WPU provides a much less risky strategic currency exposure, and FTSE WPU currently also offers a higher yield than US Dollars and Euro.

Large Institutional Investors in smaller countries
Very large investors in countries with less liquid currencies can manage their foreign (and home) currency risk with FTSE WPU and thus create a higher returning portfolio. The alternative of fully hedging the foreign currency risk eliminates diversification. Being unhedged creates exposure to high foreign currency volatility. Hence, the only viable solution for very large investors in these countries is hedging into a basket of currencies. FTSE WPU is a better alternative to existing ad hoc basket weights, which are often very heavily weighted in the US Dollar and Euro.

9. How much FTSE WPU should be included in my portfolio?

FTSE WPU is a currency unit, not an asset class. Capital is already invested in a wide range of assets, which are denominated in different currencies. These investments can be hedged into FTSE WPU to reduce the high risk of loss of wealth from the currencies falling. The existing portfolio of investments does not have to be disturbed. The question of how much FTSE WPU to include in a portfolio depends on the specific investor's country, their objectives and their needs. Three examples are given.

US Investors: Need to manage their foreign currency exposure, and to hold some global cash.
A US investor who is invested overseas in developed market equities has 84% exposure to the European currencies and Yen. This European currency exposure was never consciously planned: it is a side effect of where the capital was invested. Taking such a highly concentrated European currency bet does not make any investment sense. Hedging into FTSE WPU immediately cuts exposure to

Copyright 2014 by Mountain Pacific Group, LLC, all rights reserved

European currencies to 28.9%, and provides broad diversification into more attractive exposure.

Hedging US Dollar cash into WPU® provides the investor with a WPU® cash return. Measured in US Dollars, WPU® cash has a volatility of 5.4% per annum. The yield on WPU® cash is over 1.5% per annum. On average, WPU® has risen by 1.8% per annum against the US Dollar over the past ten years.

The amount of global cash that an investor should hold depends on how much cash they have and how truly global they are. A US domestic HNW investor may wish to initially hold some 5% in WPU® cash. However a global citizen, who holds a large proportion of their assets in US Dollars, will want to hedge a much higher percentage of their total wealth into WPU®.

Sovereign Wealth Funds: need a neutral currency mix to measure their wealth.
The first question facing any Sovereign Wealth Fund is: In what currency should the fund's assets be measured? Historically, Sovereign Wealth Funds kept their assets heavily concentrated in US Dollars and Euros. For example, the table below shows the current official reserve holdings held by monetary authorities as reported by the IMF.

Currency Composition of Official Foreign Exchange Reserves

US Dollars	62.1%	
Euros	24.8%	
Yen	4.7%	
Sterling	3.1%	
Australian Dollars	1.5%	
Canadian Dollars	1.4%	
Swiss Francs	0.2%	
Other	2.2%	Data as of Q4 2013

When the US Dollar and Euro were stable this currency mix made some sense. Today, holding 86.9% in the US Dollar and Euro means that global wealth will be unstable and long term wealth will not be preserved. FTSE WPU is explicitly designed to be a neutral global currency unit to preserve long term wealth. For a large, long term investor who wishes to preserve their wealth in global terms, FTSE WPU provides a superior neutral currency mix.

European investors: WPU® is 39% less risky than the US Dollar, and the yield is higher.
The stresses in the Euro during 2011 made all European investors acutely aware that their *home* currencies can be very risky. The natural alternative to Euros is the world's largest currency: the US Dollar. However, European investors are not optimistic about the long term prospects for the US Dollar. In addition the volatility of the US Dollar against the Euro is 11% per annum. This currency volatility is roughly half the risk of equity investing. However, unlike equities, US Dollar currency risk has no expected long run return for a European investor. So buying US Dollars makes no sense as a long run solution to offsetting exposure to the long term global value of the Euro.

European investors need a better way to preserve their wealth in global terms. When European investors hedge their currency exposure into WPU®, the volatility measured in terms of Euro is 39% less risky than being exposed to the US Dollar.

The amount they should hedge depends on the ultimate use of the money and the structure of the assets. A domestically focused fund may just wish to hedge the *non-Euro* investments. However, an UHNW investor may wish to hedge the majority of their assets into a lower risk global currency basket. FTSE WPU is designed to preserve long term global wealth.

Copyright 2014 by Mountain Pacific Group, LLC, all rights reserved

Japanese investors: need to manage their large US Dollar risk.
Japanese investors hold a large portion of their assets in the United States. The Yen has risen dramatically against the US Dollar, this caused very large losses for Japanese investors on the value of their US investments. As Japanese investors hold so many US assets, they wish to manage this US Dollar risk. Hedging back into Yen is now strategically unattractive, as the Yen appears to be severely overvalued. Hedging US Dollar exposure into WPU® is much less risky: the volatility of WPU® against Yen is 30% lower than the volatility of the US Dollar against the Yen. WPU® also has a lower hedging cost, as the rate of interest on WPU® is higher than the Yen interest rate. WPU® is diversified and is strategically a more attractive exposure for Japanese investors than the US Dollar.

How is FTSE WPU constructed

10. How are the weights in FTSE WPU determined?

The weights of the components of FTSE WPU are set to minimize short run currency risk and the longer run erosion of purchasing power from inflation. The short run risk in currencies is currency volatility. Seven developed currencies are included with weights set to minimize volatility in US Dollar terms, subject to diversification and liquidity considerations.

Prices of many goods are determined by competitive pricing from manufacturers in countries like China and India. So purchasing power is protected by including in FTSE WPU the currencies of the four largest emerging market economies (the BRIC countries). A small component of gold and oil is included, as their prices are sensitive measures of changes in the inflationary outlook. The specific methodology for determining the weights is laid out in the FTSE WPU Ground Rules.

11. How is the price of FTSE WPU calculated?

FTSE calculates a spot reference price for FTSE WPU at 4pm time in London. At this time, some markets are closed. So the FTSE WPU calculation is based on the latest trading prices for the components.

Normally, an investor using FTSE WPU will hold a FTSE WPU forward contract with a certain maturity. The return on this can be compared with the daily FTSE WPU spot price.

12. How often do the weights in FTSE WPU change?

The weights are re-calculated each year, with the new weights set on open on the first business day in December. The weights are updated based on the methodology laid out in the Ground Rules and reviewed by the advisory committee. During the year, the weights of the components within FTSE WPU evolve based on returns. For example, if the gold price rises by itself, the percentage weight of FTSE WPU in gold will rise.

13. Who designed FTSE WPU?

FTSE WPU was designed by FTSE and MPG. (Mountain Pacific Group, LLC). Input on the design of FTSE WPU has been received from around the world. Banks, institutional investors, high net worth investors, central bankers, investment consultants, industry experts and the advisory committee members all provided valuable input. Their feedback is gratefully acknowledged.

14. What is the role of the FTSE WPU advisory committee?

The advisory committee provides input to FTSE on the design of FTSE WPU. The committee members are drawn from different countries and reflect different types of investors, such as institutional and

Copyright 2014 by Mountain Pacific Group, LLC, all rights reserved

high net worth. Banks have provided input on FTSE WPU, but are not on the committee.

15. Why are the weights in Gold and Oil not higher?

FTSE WPU is designed to be a currency basket which is a stable store of global value. Gold and oil are very sensitive to inflationary expectations, but they are also very volatile. Balancing their volatility against the inflation shock protection, means that only a small amount of gold and oil is required to offset shocks in inflation expectations. Including more Gold and oil would make FTSE WPU a less stable measure of global value. Note that WPU is a currency unit. Separately, investors can allocate a significant proportion of their *capital* into real assets, like real estate, gold etc.

Why is FTSE WPU needed?

16. What has caused the need for FTSE WPU?

The major reserve currencies are increasingly unstable in their value. Their outlook is deeply uncertain: they may turn out to be poor long term stores of value due to credit issues and the return of inflation. Investments within these countries can be very attractive. However, concentrated exposure to these currencies certainly is not. FTSE WPU reduces currency risk. FTSE WPU is constructed to be a more stable long term store of global value.

17. What is the benefit of using FTSE WPU?

Currency swings have a large impact on wealth. Investors spend a lot of time evaluating different opportunities to invest their capital. Currency can be as risky as the actual investment.

But there is a fundamental difference between a loss caused by equities and a loss caused by a currency fall: Equities eventually recover, so the loss of wealth can come back. There is no evidence that currency losses come back. Currency moves are random: a further currency loss is as likely as a profit[2].

The key principle which investors use is to diversify their investments. Diversification reduces loss of wealth during bad times. FTSE WPU applies this fundamental diversification principle to the currency exposure which investors already have. This was not an issue when currencies were stable. Today, no currency is stable.

18. Could the US Dollar be replaced by another currency or currency basket?

No. The US Dollar is the world’s leading reserve currency, and the totally dominant transactional currency. The US Dollar cannot be replaced in that role.

There are three reasons for this. First, no other currency has such deep markets as the US. Second, the world’s entire payments system is based on US Dollars. It would take a long time to switch global payments and pricing to another currency. Third, the reserve currency country has to run a very large and persistent external deficit. This is so foreigners can acquire enough currency for them to use as the world money.

[2] "The Foreign Exchange Market: A Random Walk with a Dragging Anchor', Economica, 55, 1988. Professor Charles Goodhart of the LSE worked at the Bank of England for seventeen years.

Copyright 2014 by Mountain Pacific Group, LLC, all rights reserved

19. Who should not use FTSE WPU?

If an investor is totally located in one country and only has local currency liabilities and has no concerns over future inflation, then FTSE WPU will not be relevant for them.

20. Who should use FTSE WPU?

FTSE WPU is used by global investors. For example, a non US fund which has assets in the United States will be concerned about US Dollar risk. Simply accepting the currency risk from having investments in Europe or the United States does not make sense. No one would take such currency exposures by themselves – the currency exposure is just a side effect of where the good investments happened to be.

Monetary Authorities, Sovereign Wealth Funds and Family Offices have to select a base currency basket. The first question facing any new global investor is "In what currencies am I going to hold my wealth?" The best currency mix is the most fundamental question for investors who are seeking to preserve their wealth in global terms.

Investment managers can hedge their existing funds into FTSE WPU. A FTSE WPU hedged share class makes the fund directly accessible, and more attractive, to any investor globally: there is no need to undertake separate hedging for each different currency.

Implementing FTSE WPU.

21. How can I invest in FTSE WPU?

For an overall solution for a fund, a currency manager can hedge the fund's existing currency risks into FTSE WPU in a separate hedging program. This activity is called "currency overlay hedging". Currency overlays have been used for the past twenty years by the world's largest investors to manage their currency risk. Investment managers can also offer their investments hedged into FTSE WPU. Large funds with internal trading capability may be able to do the hedging into FTSE WPU themselves.

22. Is FTSE WPU traded on an exchange?

FTSE WPU is not currently traded on an exchange.

23. Who makes a market in FTSE WPU?

Banks can offer hedges for investors into FTSE WPU. Large investors can hire managers to undertake this hedging for them. Institutional investors with internal trading desks may be able to execute the hedge into FTSE WPU themselves.

Role of FTSE WPU in the portfolio

24. How do I use FTSE WPU?

Investors do not have to alter their underlying investment of capital. A separate transaction converts the concentrated currency risk into FTSE WPU. Thus, an institutional investor may, for example, hedge investments in the US Dollar or Euro into FTSE WPU. Typically the size of the hedge is

Copyright 2014 by Mountain Pacific Group, LLC, all rights reserved

adjusted on a monthly basis as the value of the assets changes. Alternatively, an investment manager can offer investments which are already hedged into FTSE WPU.

25. What contributes to the return on FTSE WPU?

The return on FTSE WPU comes more from the rise or fall in value of the currency in which the return is measured. Because FTSE WPU is a diverse basket of currencies, in the short run it will go up against some currencies, but down against others.

In the long run, inflation has never been persistently negative. As a result, one would expect FTSE WPU to hold its global value, while countries with large and unsustainable deficits are likely to decline in value due to inflation.

26. How volatile is FTSE WPU?

Measured in terms of US Dollars, FTSE WPU has an annualized volatility of 5.4% per annum. When viewed from the base of a more volatile currency, FTSE WPU appears to have higher volatility as the measurement currency *itself* is volatile. Historically, investors never thought of their *local* currency as being risky. Today, global investors realize that all currencies are risky.

27. How much FTSE WPU should there be in my portfolio?

This depends on how much currency exposure is already in the portfolio. If unhedged foreign currency exposure is significant and is concentrated in, for example, US Dollar or Euro, then this can be hedged into FTSE WPU.

Most investors are adopting a global mindset in their investments. Global competition means that only some of the best investment opportunities are in their home country. As they invest more globally, the foreign currency exposure is going up. This is happening just as the swings in currency values are rising. Hence, currency has become a very important issue.

28. Why is FTSE WPU better than what I am currently doing?

Historically, most investors never explicitly considered the currency risk they were taking. Most investors thought that currency swings even out over time, and that their home currency was riskless. The problems with the Euro, and long run downtrend in the US Dollar, show that neither is the case.

Investors should explicitly choose the currency risk that they take. An investor in global equities is 53% exposed to the US Dollar and 13% exposed to the Euro[3]. Taking 66% exposure to two volatile currencies does not make any sense. FTSE WPU is a diversified to minimize concentrated currency risk.

29. I would like global cash, can I make a deposit in FTSE WPU?

Cash can be invested based on the weights in FTSE WPU with the exception of gold and oil where investors would most likely buy futures. However, it is simpler to keep the cash in the currency where it currently is, and then to hedge the currency exposure into FTSE WPU.

Investors' questions

[3] Based on the FTSE world equity index as of December 2011.

Copyright 2014 by Mountain Pacific Group, LLC, all rights reserved

30. Why should we want any foreign currency exposure at all?

Investors keep a large proportion of their assets invested locally. If there is an extreme event, then both the local market *and* the local currency can fall. Holding a portion of foreign currency reduces this risk significantly.

In the long run, beneficiaries of the assets are exposed to global fluctuations. If the Renminbi rises by 20%, the price of goods globally will rise. Twenty years ago there would have been little impact, because so few goods were exported by China. Diversification is the fundamental way for investors to manage risk. FTSE WPU diversifies the *local* currency risk.

31. What will happen if the Euro breaks up?

32. If the Euro is restructured, FTSE WPU will be adjusted so that it includes the currencies of the "hard currency" members. This change will be overseen by FTSE in consultation with the advisory board.

33. How does FTSE WPU compare with Bitcoin?

Money has three functions: 1) Money is a store of value (if you hold cash in WPU® then its global value will be maintained: you will be able to buy the same amount of global goods with WPU® in ten years time as today), 2) Money is a unit of account (WPU® is a currency unit in which you enables you to measure your wealth in global terms, rather than just in terms of your home currency), and 3) Money is a medium of exchange (money can be used to buy and sell goods and services). FTSE WPU was designed to be used a store of value and a unit of account for investors. FTSE WPU is global cash. In the future, FTSE WPU may be used as a medium of exchange, e.g. for as a cash WPU® debit card for global travelers. In contrast, Bitcoin is designed to be a medium of exchange. Bitcoins do not yet offer any yield. The hope is that Bitcoin will maintain its long term value due to its limited supply.

But Bitcoin is very poor as a store of value and unit of account. This is because the value in terms of the US Dollar is highly volatile: in the past, the dollar value of the Bitcoin has fallen by over 60% within a single month. There is no fixed relationship whatsoever between Bitcoin and other currencies. In contrast, WPU can be arbitraged with its liquid components. This ensures that WPU has huge liquidity and stability. Bitcoin cannot be arbitraged with anything. In addition, unlike gold, Bitcoin has no intrinsic value, and there is risk of digital fraud, without any recourse for investors. There are also other competing digital currencies, which would cause the value of Bitcoins to fall if they are accepted. Bitcoins are widely used for anonymous and illegal transactions, and are thus viewed in a very hostile way by regulators and tax authorities. The major central banks were consulted before FTSE WPU was created. They have been supportive of FTSE WPU because they understand that it is a totally transparent and non speculative currency unit, which can help to reduce currency instability.

34. What happens if there is a market disruption event?

If there is a market disruption event, there are established and accepted market standard procedures for determining prices for a range of asset classes. FTSE WPU would be calculated based on these principles. This is subject to input from the advisory committee.

35. Our fund has local liabilities. Why not fully hedge to eliminate all currency risk?

Generally if a fund fully hedges foreign currency, this creates potentially very major cash flow risk. Most large investors hold near 50% of their assets outside their home country. A currency hedge sells the foreign currencies and buys the home currency.

Copyright 2014 by Mountain Pacific Group, LLC, all rights reserved

During a crisis, the home currency may plunge in value against the foreign currencies: so the hedge then has a large loss. This often happens just as all markets are falling in value. The currency hedge is a short term contract that has to be settled in cash. During 2008 many large investors experienced extreme cash flow difficulties in settling their currency hedges.

36. Our fund has local liabilities. Why not fully hedge to eliminate all currency risk?

FTSE WPU is needed to protect the real value of an investor's wealth. Today many goods sold in the US are made overseas. So US prices are heavily determined by how much a US Dollar buys in the global marketplace: The price of oil, cars and consumer goods are no longer set in America. The US has a huge uncontrolled budget deficit. There is no scenario of a tax increase, entitlement cuts or economic growth to cut the deficit significantly. The Federal Reserve has also undertaken massive quantitative easing to bail out failing institutions.

Foreigners see higher and rising risk in the US, and also lower returns. So they put more money in other countries which is causing the global value of the US Dollar to fall. FTSE reduces this long term risk of loss.

37. As a US investor, why do I need the US Dollars in FTSE WPU?

The US Dollar has near 22% weight in FTSE WPU. About half the time the US Dollar will rise against the other components of FTSE WPU. So including the US Dollar reduces the risk of FTSE WPU.

US investors who invest in foreign developed market equities on a capitalization weighted basis have 83% exposure to European currencies and Yen. Most investors do not want such a concentrated bet on the future of the Euro and other European currencies. FTSE WPU only has 28.9% combined weight in the Euro, Sterling and Swiss Franc. Hedging into FTSE WPU immediately hedges 22% of the risk back to US Dollars and reduces the remaining risk by diversification.

38. How does FTSE WPU differ from the SDR or USDX® currency baskets?

FTSE WPU is designed specifically to be a stable currency unit for global investors.

The SDR, the Special Drawing Right, is a fixed basket of the four major currencies. It was designed in 1969 by the IMF to replace Gold as the unit of account for international agency accounting purposes[4]. The SDR has a large weight in US Dollars, 41.9%, and Euros, 37.4%. The SDR was not developed as a store of value for global private investors.

USDX® is a fixed basket of six major currencies[5], it does not contain the US Dollar. The USDX® weights were derived from the Federal Reserve trade weighted currency index. Hence, it has a very high 57.6% weight, in Euros. This index was designed to measure US trade competitiveness. So USDX® is a United States specific index based on historic US trade flows. Global trade now accounts for less than 2% of daily foreign exchange transactions.

39. Why are other emerging market currencies, like the Korean Won, not included?

The reasons are liquidity and economic size. Smaller currencies are less liquid. During a crisis it can

[4] http://www.imf.org/external/np/tre/sdr/sdrbasket.htm. Weights: U.S. dollar 41.9%, Euro 37.4%, Pound 11.3%, Yen 9.4%. The weights are scheduled to be revised in 2015.

[5] USDX is a Registered Trademark of ICE Futures U.S., Inc., registered in Japan and the United States. Weights: Euro 57.6%, Yen 13.6%, Pound Sterling 11.9%, Canadian Dollar 9.1%, Swedish Krona 4.2%, Swiss Franc 3.6%.

Copyright 2014 by Mountain Pacific Group, LLC, all rights reserved

be impossible to trade these currencies. The four currencies of the four emerging economies with the largest percent of global GDP are included. Trading in these currencies is growing rapidly, as they are on a path to free floating. In the future, other currencies may be included when their economic size and trading liquidity justify inclusion.

40. Managers say currencies swings wash out in the long run, so why use FTSE WPU?

Currency swings do not always wash out in the long run. For example, the Yen was 385 to the US Dollar in December 1971, and 77 at the end of 2011. Yen has not reverted to anywhere near 385 during that period. Currencies are volatile. Expected returns on investments were much lower twenty years ago. So a currency swing can wipe out the investment return. Most large investors hold over 50% of their assets overseas. If the home currency rises by 10%, that is a 5% loss of total assets. That currency risk should be managed.

41. What is the interest rate on FTSE WPU?

The interest rate on FTSE WPU is equal to the weighted interest rates of the components. As of April 30, 2014, the gross one month rate was 1.5% per annum. Note this interest rate is measured in WPU®, *not* in US Dollars or in Euro.

42. Should there be a tailored version of FTSE WPU for my home currency?

No. Hedging currency exposure of the major currencies into FTSE WPU is less risky than simply accepting the pre-existing currency exposure. However an investor's home currency itself may be very volatile. Hence, while the FTSE WPU does not require tailoring, there may be a separate need to manage actively the home currency fluctuations.

43. Why is food not included in FTSE WPU to hedge inflation?

Food products are not money like, as they cannot be stored long term and are not fungible. Food prices and food products are also not global. Food prices differ between countries due to differing specifications, transport costs and preferences. For example, there is no, global rice price. Additionally, due to weather events or transport disruption, there can be acute shortages in certain food products. Gold and oil are homogeneous, storable, globally traded, money like and highly liquid.

44. What will happen if the oil price goes to $200?

The percentage in oil would rise as the price rises relative to the other components. As of May 2014 the weight in oil was 1.8%. The weights are rebalanced annually on December 1st in accordance with the Ground Rules.

45. I invest in emerging markets, why do I need emerging market currencies in FTSE WPU?

Emerging markets offer attractive investments. However, investing capital in equities, private equity and bonds is a separate decision from managing the much larger developed market currency exposure which investors already have. Global investors typically have half their assets in foreign currencies.

A fund can choose to invest in emerging markets or choose not to invest. However, funds already have developed market currency risk. The emerging market currency exposure within FTSE WPU is to manage this existing currency risk.

Copyright 2014 by Mountain Pacific Group, LLC, all rights reserved

46. I believe the US Dollar is going to go up, why should I hedge into FTSE WPU?

There are only two ways to manage risk: by forecasting returns or by diversification. Forecasting currency returns (timing, direction and magnitude) successfully is very difficult and can lead to extreme outcomes. If an investor believes the US Dollar will go up and there are not likely to be any consequences, as the responsible investment professional, if either the anticipated movement does not occur within the expected time frame or the USD Dollar continues to slide, then holding a long US Dollar position may be a reasonable strategy. However for all other investors a diversified hedging into FTSE WPU leads to outcomes which are less extreme, and less prone to second guessing at the worst possible time.

47. Will FTSE WPU hurt the US Dollar and cause instability?

No. FTSE WPU is designed to have low volatility. It enables global investors to be less reactive to large moves in one single currency. Using FTSE WPU makes it safer for an investor to place more assets overseas. This helps to reduce "home country bias". This will encourage investment into the US as the world's largest investment market.

48. Can I hedge large exposures into FTSE WPU?

Yes. FTSE WPU was constructed to be liquid. There is a lower weight in the less liquid components. Hence, an institution could hedge US $5 Billion into FTSE WPU with little market impact.

Large funds in countries with less liquid currencies find it difficult to hedge their foreign currency risk. Hence, they often keep too large a proportion of their assets in local markets. Hedging foreign assets into FTSE WPU enables them to invest more internationally. This also reduces their home currency risk if there is a major *country* impacting event, such as an earthquake, conflict or local financial crisis.

Copyright 2014 by Mountain Pacific Group, LLC, all rights reserved

Disclaimer

The FTSE WPU Index Series is calculated by FTSE International Limited ("FTSE") or its agent. All rights in the FTSE WPU Index Series vest in FTSE. "FTSE®" is trade mark of the London Stock Exchange Plc and The Financial Times Limited and is used by FTSE under licence. "WPU®" and "Wealth Preservation Unit®" are registered trade marks of Mountain Pacific ("Mountain Pacific"). Neither FTSE nor their licensors nor Mountain Pacific shall be liable (including in negligence) for any loss arising out of use of the FTSE WPU Index Series by any person.

Mountain Pacific Advisors, LLC, a subsidiary of Mountain Pacific Group, LLC, is a registered investment adviser with the SEC. Thus, any investment advice would be rendered solely by Mountain Pacific Advisors.

WPU FAQ 2014 05

Copyright 2014 by Mountain Pacific Group, LLC, all rights reserved