

Announcement

Methodology change of the Indxx MicroSectors™ North American Cannabis Index

New York – May 13, 2021 - Effective May 13, 2021 the following are the changes in the methodology of the Indxx MicroSectors™ North American Cannabis Index:

- Initial universe (Section 1.2.1)

Below is the amended methodology which will be effective from May 13, 2021.

May 2021

INDXX MICROSECTORS™ NORTH AMERICAN CANNABIS INDEX METHODOLOGY

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1. INDXX MICROSECTORS™ NORTH AMERICAN CANNABIS INDEX

1.1 INDEX DESCRIPTION

The Indxx MicroSectors™ North American Cannabis Index is designed to track the performance of companies that provide products or services related to the medical or industrial use of cannabis or cannabis derivatives.

The index has a base date of May 31, 2017 with an initial value of 1,000.

The index is currently available in the following version:

- Total Return

1.2 CREATION OF MASTER LIST

1.2.1 Initial Universe

To be eligible for inclusion in the Initial Universe, securities must have:

- Their issuer's incorporation in the United States or Canada;
 - If the issuer is incorporated in the U.S., the security must be listed on a U.S. securities exchange, with its primary exchange being the New York Stock Exchange or the Nasdaq Stock Market;
 - If the issuer is incorporated in Canada, and the security is listed on either U.S. securities exchange or Canadian securities exchange, with the primary exchange being the New York Stock Exchange, Nasdaq Stock Exchange, Toronto Stock Exchange or TSX Venture Stock Exchange, the preference will always be given to securities listed on U.S. securities exchange if they satisfy the investability criteria.
- A minimum total market capitalization of US\$100 million.
- A 6-month average daily turnover greater than or equal to US\$10 million.
- The security must have traded on 90% of the eligible trading days in the last 6 months. In case a security does not have a trading history of 6 months (only IPOs), such a security must have started trading at least 3 months before the start of the Reconstitution/Rebalancing Process and should have traded on 90% of the eligible trading days for the past 3 months.

1.2.2 Free Float

All securities must have a minimum free float of at least 10% of shares outstanding.

1.2.3 Maximum Price

Securities trading at a price of US\$10,000 or above are ineligible for inclusion in the index. This rule is not applicable for existing constituents. Existing constituents shall remain in the initial universe irrespective of their stock price.

1.2.4 Security Type

The following security types are eligible for inclusion:

- Common Stock

1.2.5 Share Classes

- The existing share class/listing in the index is retained if it satisfies all the eligibility criteria of the index.
- In all other cases, the most liquid share class/listing is considered for inclusion in the index.

1.3 SECURITY SELECTION PROCESS

Indxx has defined cannabis as being comprised of the following sub-themes:

Ancillary	Cannabis focused activities.
Cultivators	Production or cultivation of medical cannabis and industrial hemp.
Industrial Hemp	Use of hemp for the industrial uses of its derived product.
Pharmaceuticals	Medicines with key ingredient as cannabis with the aim of improving human health.
Testing and Analytics	Analytical tools, research materials or cannabis-based compounds for usage in drug testing, clinical toxicology analysis, drug monitoring or developing new drugs, among other applications – all in the context of cannabis.

The index only includes companies that are engaged exclusively in legal cannabis activities under applicable national and local laws, including U.S. federal and state laws and applicable Canadian laws. Therefore, the index will not include any companies that are in violation of any United States federal or state laws. Companies whose business activities are legal under state law, but not legal under federal law, are automatically ineligible for inclusion in the index. Because the index only includes companies that are currently engaged exclusively in legal activities under applicable national and local laws, the index will not include any company that engages in the cultivation, production or distribution of marijuana or products derived from marijuana for medical or non-medical purposes in a particular country, including the United States, unless and until such time as the cultivation, production or distribution of medical or non-medical marijuana, as applicable, becomes legal under all local and national laws governing the company in such country.

The forementioned sub-themes are comprised of companies in the following FactSet Industries:

Agricultural Commodities/Milling	Real Estate Investment Trusts	Miscellaneous Manufacturing
Pharmaceuticals: Other	Chemicals: Agricultural	Oil & Gas Production
Real Estate Development	Electrical Products	Other Consumer Services
Apparel/Footwear	Financial Conglomerates	Other Metals/Minerals
Biotechnology	Industrial Machinery	Pharmaceuticals: Major

Electronic Equipment/Instruments	Information Technology Services	Miscellaneous
Environmental Services	Internet Retail	Electronics Distributors
Internet Software/Services	Other Consumer Specialties	Household / Personal Care
Medical/Nursing Services	Personnel Services	Medical Specialties
Miscellaneous Commercial Services	Precious Metals	Pharmaceuticals: Generic
Investment Banks/Brokers		

The industries and sub-themes identified through this research-based approach are subject to change at every annual reconstitution.

Companies are classified into one of the following two types based on revenue:

- Pure Play:

Companies from the Master List ([section 1.2](#)) that derive revenue greater than or equal to 50% from the above sub-themes are considered as 'pure-play' cannabis companies. These companies are included in the 'Selection List' for the index.

- Quasi Play:

Companies from the Master List ([section 1.2](#)) that generate up-to, but strictly less than, 50% of their revenue from the above sub-themes are considered as 'quasi-play' cannabis companies. These companies are also included in the 'Selection List' for the index.

1.4 FINAL COMPOSITION

All companies that form the 'Selection List' shall form the final portfolio.

1.5 WEIGHTING

The index is weighted as follows:

- Components are weighted based on the product of security level market capitalization and 6-month average daily trading volume (ADTV).
- A single security cap of 9.9% is applied.
- The excess weight is distributed proportionately on the basis of the 6-month ADTV across all other uncapped components in the index to determine the final weights.

1.6 BUFFER RULES

Buffer Rules are employed to reduce turnover in the index. The following buffer rules apply:

1.6.1 Market Capitalization

A constituent shall continue to be included in the Master List if its market capitalization is greater than or equal to 80% of the previously defined market capitalization limit. To illustrate, if an existing

index member meets all other selection criteria but doesn't meet the minimum market capitalization criteria to the extent of up to 20% deviation, then it will be retained in the investible universe.

1.6.2 Liquidity

A constituent shall continue to be included in the Master List if its 6-month average daily turnover is greater than or equal to 70% of the previously defined liquidity limit. To illustrate, if an existing index member meets all other selection criteria but doesn't meet the minimum liquidity criteria to the extent of up to a 30% deviation, then it will be retained in the investible universe.

1.7 RECONSTITUTION AND REBALANCING RULES

1.7.1 Annual Reconstitution

- The index follows an annual 5 day rolling reconstitution period. The new portfolio becomes effective at the close of the last 5 trading days of May each year. These days are called the 'Reconstitution Effective Days.'
- The security selection and portfolio creation process start on the close of the nearest Friday falling at least one month before the last trading day of the Reconstitution Effective Days. This day is called the 'Selection Day.' The selection list is created based on the data as of the Selection Day.
- Target weights are calculated at the close of the seventh trading day prior to the last trading day of the Reconstitution Effective Days.

1.7.2 Monthly Rebalancing

- The index follows a 1-day rebalancing schedule.
- The portfolio is rebalanced on the last trading day of each month (except May). This day is called the 'Effective Day.'
- Target weights are calculated at the close of the seventh trading day prior to the Effective Day.

1.8 PERIODIC REVIEW

1.8.1 Corporate Governance Review

To ensure an Issuer's compliance with cannabis laws, the public filings and press releases of the index constituents will be reviewed on a quarterly basis.

1. A constituent may be removed from the index in the following cases:
 - Regulatory investigations/cases related to their cannabis operations have been decided against an issuer, or
 - Admission of violation of applicable local/national cannabis laws by the issuer
2. If the issuer has announced that it has rectified the violations (paid a fine, entered into a settlement, shut down certain operations, etc.) and maintains the proper licenses to operate its remaining business, it will continue to remain in the index.

1.8.2 IPO Review

To effectively reflect IPOs and other new listings (“IPOs”), the index constituents will be reviewed on a quarterly basis

- Potential inclusions in the IPO review must meet the market capitalization criteria as of the Review Selection Date.
- The average daily turnover since the IPO launch must be greater than the threshold as defined in section 1.2.1
- The securities must have traded on 90% of the eligible trading days for the past 3 months from the Review Selection Day.

Both Corporate Governance and IPO Reviews are performed on a quarterly basis and follow the below process:

- Any addition(s)/deletion(s) to the portfolio becomes effective at the close of last trading day of May, August, November and February each year. This day is called the ‘Review Effective Day.’
- The selection date for Corporate Governance Review and IPO Review shall be the nearest Friday falling at least one month before the ‘Review Effective Day.’ It will be referred to as the ‘Review Selection Day.’
- Any new addition(s)/deletion(s) to the portfolio at the time of the Periodic Review will be added/deleted as per the weighting scheme mentioned in the Monthly Rebalancing (Section 1.7).

1.9 INDEX COMMITTEE POLICY

The Index Committee is responsible for setting policy, determining index composition, and administering the index in accordance with the Indxx index methodology. The Index Committee reserves the right to use qualitative judgment to include, exclude, adjust, or postpone the inclusion of a stock. Continued index membership of a constituent is not necessarily subject to the guidelines provided in the index methodology. A stock may be considered for exclusion by the Index Committee on the basis of corporate governance, accounting policies, lack of transparency and lack of representation, despite meeting all the criteria provided in the index methodology.

1.10 CORPORATE ACTIONS

Dividend payments by any stock issued by a company that is incorporated in the U.S. shall be reinvested proportionately among the US listed stocks only. There will be no adjustment to the index for dividend payments by stocks issued by companies incorporated in Canada that are included in index.

However, all other corporate actions will be adjusted as per the corporate action sections of the document “Indxx Calculation Guideline” on our website.

1.11 HOLIDAY SCHEDULE

The level of the index is calculated on each day on which the U.S. securities markets are scheduled to be open for trading.

1.12. TRADING DAYS

The following is applicable to the 'Reconstitution and Rebalancing Rules' section of the index (Section 1.7):

Index Trading Day: "Index Trading Day" means any day other than a Saturday or a Sunday on which the principal securities exchanges in the U.S. and Canada on which the components of the Index trade are scheduled to be open for normal trading hours.

Partial Index Trading Day: "Partial Index Trading Day" means any day other than a Saturday or a Sunday on which (a) the principal securities exchanges in the U.S. or Canada on which the components of the Index trade are scheduled to be open for fewer than normal trading hours or (b) the principal securities exchanges in Canada on which components of the Index trade are closed.

For an Annual Reconstitution: If any of the Reconstitution Effective Days fall on a Partial Index Trading Day, then those days of the Annual Reconstitution shall occur on the next respective Index Trading Days.

For a Monthly Rebalancing: If the Effective Date falls on a Partial Index Trading Day, then the Monthly Rebalancing shall occur on the next Index Trading Day.

2. APPENDIX

2.1 METHODOLOGY CHANGES

Methodology changes since May 2021 are as follows:

Section	Previous Value	New Value	Effective Date
1.2.1	<p>To be eligible for inclusion in the Initial Universe, securities must have:</p> <ul style="list-style-type: none"> • Their issuer's incorporation in the United States or Canada; <ul style="list-style-type: none"> ○ If the issuer is incorporated in the U.S., the security must be listed on a U.S. securities exchange, with its primary exchange being the New York Stock Exchange or the Nasdaq Stock Market; ○ If the issuer is incorporated in Canada, the security must be listed on a Canadian securities exchange, with its primary exchange being the Toronto Stock Exchange or TSX Venture Stock Exchange. 	<p>To be eligible for inclusion in the Initial Universe, securities must have:</p> <ul style="list-style-type: none"> • Their issuer's incorporation in the United States or Canada; <ul style="list-style-type: none"> ○ If the issuer is incorporated in the U.S., the security must be listed on a U.S. securities exchange, with its primary exchange being the New York Stock Exchange or the Nasdaq Stock Market; ○ If the issuer is incorporated in Canada, and the security is listed on either U.S. securities exchange or Canadian securities exchange, with the primary exchange being the New York Stock Exchange, Nasdaq Stock Exchange, Toronto Stock Exchange or TSX Venture Stock Exchange, the preference will always be given to securities listed on U.S. securities exchange if they satisfy the investability criteria. 	May 13, 2021

3. DISCLAIMER

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