

Announcement

Methodology change of the Indxx Advanced Life Sciences & Smart Healthcare Index

New York – May 06, 2022 - Effective May 06, 2022 the following are the changes in the methodology of the Indxx Advanced Life Sciences & Smart Healthcare Index:

- Reconstitution and Rebalancing Rules (Section 1.10)
- IPO Review (Section 1.11)

Below is the amended methodology which will be effective from May 06, 2022.

May 2022

INDXX ADVANCED LIFE SCIENCES & SMART HEALTHCARE THEMATIC INDEX

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1. INDXX ADVANCED LIFE SCIENCES & SMART HEALTHCARE THEMATIC INDEX

1.1 INDEX DESCRIPTION

The Indxx Advanced Life Sciences & Smart Healthcare Thematic Index is designed to measure the performance of companies involved in the Advanced Life Sciences & Smart Healthcare sector, as defined by Indxx.

The index has a base date of June 30, 2014 with an initial value of 1,000.

The index is currently available in the following versions:

- Price Return (Bloomberg Ticker: IELXR)
- Total Return (Bloomberg Ticker: IELXRT)
- Net Total Return (Bloomberg Ticker: IELXRNT)

1.2 CREATION OF MASTER LIST

1.2.1 Initial Universe

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

- Their primary listing in Developed and Emerging Markets as defined by Indxx in its 'Country Classification and Investability Requirements' document.
- A minimum total market capitalization of \$500 million.
- A 6-month average daily turnover greater than or equal to \$1million for emerging markets and greater than or equal to \$2 million for developed markets.
- 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 equivalent to 10% of shares outstanding.

1.2.3 Maximum Price

Securities trading at a price of \$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
- ADR
- GDR

1.2.5 Share Classes

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

1.3 SECURITY SELECTION PROCESS

Based on extensive research, Indxx has defined 'Advanced Lifesciences & Smart Healthcare' as being comprised of the following sub-themes:

Robotics	Companies in this category support the healthcare industry by providing robot companions, surgical robots, pharmabiotics, disinfectant robots or exoskeletons.
Nanotechnology	Companies under this category provide nanotechnology to the healthcare industry. Nanoparticles enable physicians to target drugs at the source of the disease, which increases efficiency and minimizes side effects.
Genome Sequencing	Companies in this category provide services, such as nutrigenomics, the crossfield of nutrition, dietetics and genomics.
Healthcare Trackers	These companies offer products like advanced wearables that help in collecting and tracking health metrics like heart rate and blood pressure, including fitness trackers that collect data related to workouts.
Biological Engineering	Companies in this category apply the concepts and methods of biology to solve real-world problems related to life sciences. Some of the applications include: Medical imaging, Biomaterials and Orthopedic Engineering.

Bioinformatics	These companies use IT in biotechnology for data storage, data warehousing and analyzing DNA sequences. This acts as an essential tool for drug development and discovery.
Neuroscience	Companies that are engaged in the multidisciplinary branch of biology, that deals with the anatomy, biochemistry, molecular biology, and physiology of neurons and neural circuits. The overall market includes technologies for brain imaging, neurology medicines, and cognitive training.
Medical Devices	Companies under this category designs, manufactures, and sells various innovative medical, surgical, and diagnostic devices for the treatment of various diseases such as peripheral vascular disease, vascular access, and for use in oncology and surgical treatments.

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

Packaged Software	Household/Personal Care	Miscellaneous Commercial Services
Biotechnology	Medical Distributors	Pharmaceuticals: Generic
Medical Specialties	Pharmaceuticals: Other	Services to the Health Industry
Pharmaceuticals: Major	Semiconductors	Other Consumer Specialties

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

Companies from the Master List that cumulatively derive revenue greater than or equal to 50% from the above sub-themes are considered as 'pure-play' advanced life sciences & smart healthcare companies. These companies are included in the 'Selection List' for the index.

1.4 FINAL COMPOSITION

All 'pure-play' 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 their free float security-level market capitalization.
- A single security cap of 4.5% is applied.
- The excess weight is redistributed across all other uncapped components in the index on a proportional basis to get the final weights.

1.6 BUFFER RULES

Buffer Rules are employed to reduce Portfolio Turnover. The following buffer rules apply:

1.6.1 Market Capitalization

A constituent shall continue to be included in the Initial Universe 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 qualifies all other selection criteria but doesn't qualify the market capitalization criteria to the extent of 20% deviation then it will be retained in the investible universe.

1.6.2 Liquidity

A constituent shall continue to be included in the Initial Universe if its 6-month ADTV is greater than or equal to 70% of the previously defined liquidity limit. To illustrate, if an existing index member qualifies all other selection criteria but doesn't qualify liquidity criteria to the extent of 30% deviation then it will be retained in the investible universe.

1.7 INDEX CALCULATOR

The calculator of this index is Solactive.

1.8 INDEX PUBLISHER

The index is published by Indxx.

1.9 INDEX EDITOR

The index is edited by Indxx.

1.10 RECONSTITUTION AND REBALANCING RULES

- The index follows an annual reconstitution and rebalancing schedule. The new portfolio becomes effective at the close of third Friday day of June each year. This day is called the 'Effective Day'.
- The security selection and index creation process starts at the close of seventeen trading days before the effective day, called the 'Selection Day.' The selection list is created using the data as of this day.
- Weights are calculated at the close of the sixth trading day prior (five trading days) to the Effective Day. Index Shares are frozen using weights as of this day.

1.11 IPO REVIEW

- To effectively capture IPOs, the index constituents will be reviewed on a quarterly basis in September, December and March each year. New additions to the portfolio become effective on the close of third Friday of every quarter. This day is called the 'Review Effective Day'.

- The IPO identification process starts at the close of the nearest Friday falling at least one month before the Review Effective Day. This day is called the 'Review Selection Day'.
- 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.
- Any new addition to the portfolio at the time of review will be added as per the weighting scheme mentioned in the methodology, calculated at the close of seventh trading day prior to the Review Effective Day. The new addition's Index Shares will be frozen using weights as of this day.

1.12 BACKTEST

While running the NTR backtest, the tax rate for the United States holdings is considered as 0%.

1.13 CORPORATE ACTIONS

The corporate action guidebook is present in the Announcements section of our website, under 'Index Documents'.

2. APPENDIX

2.1 METHODOLOGY CHANGES

Methodology changes since July 2020 are as follows:

Section	Previous Value	New Value	Effective Date (close)
1.7		The 'Index Calculator' section has been added to the methodology.	July 10, 2020
1.8		The 'Index Publisher' section has been added to the methodology.	July 10, 2020
1.9		The 'Index Editor' section has been added to the methodology.	July 10, 2020
1.10	The new portfolio becomes effective at the close of last trading day of June each year.	The new portfolio becomes effective at the close of third Friday of June each year.	May 06, 2022
1.11	New additions to the portfolio become effective on the close of last trading day of every quarter	New additions to the portfolio become effective on the close of third Friday of every quarter	May 06, 2022

3. DISCLAIMER

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