

## Announcement

### Methodology change of the Indxx Global NextGen Healthcare Index

**New York – December 15, 2022** - Effective December 15, 2022 the following are the changes in the methodology of the Indxx Global NextGen Healthcare Index:

- Security Selection Process (Section 1.3)

Below is the amended methodology which will be effective from December 15, 2022.

December 2022

# INDXX GLOBAL NEXTGEN HEALTHCARE INDEX

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# 1. INDXX GLOBAL NEXTGEN HEALTHCARE INDEX

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## 1.1 INDEX DESCRIPTION

The Indxx Global NextGen Healthcare Index is designed to measure the performance of companies that provide exposure to the NextGen Healthcare sector, as defined by Indxx.

The index has a base date of June 30, 2016 with an initial value of 1,000.

The index is currently available in the following versions:

- Price Return
- Total Return
- Net 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 primary listing in Developed and Emerging Markets as defined by Indxx in its 'Country Classification and Investability Requirements' document.
- A minimum 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.
- Traded for at least 90% of the total trading days over the last 6 months on their respective stock exchanges, and at least 90% of the total trading days over the last 3 months for an Initial Public Offering ("IPO") security.

### 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 universe. This rule is not applicable for existing constituents. Existing constituents shall remain in the 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

If multiple share classes exist for a company, the following procedure is followed:

- Local shares are given preference over all other share classes.

### 1.3 SECURITY SELECTION PROCESS

Based on extensive research, Indxx has defined 'NextGen 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 involved in gene editing, genomic sequencing and development and testing of genetic medicines or therapies.
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.
Telemedicine	Companies involved in connecting physicians and patients digitally, facilitating a range of medical activities that include diagnosis, treatment, and medication management, as well as offering online pharmaceutical services, and/or providing internet healthcare platforms.
Healthcare Analytics	Companies engaged in collecting, producing, utilizing, or storing data for healthcare related statistical and/or computational analyses, including artificial intelligence analyses and cloud-based analytics platforms in healthcare industry.

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
Information Technology Services	Medical/Nursing Services	Hospital/Nursing Management
Data Processing Services	Drugstore Chains	

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 derive revenue greater than or equal to 50% from the above sub-themes are considered as 'pure-play' NextGen Healthcare companies. These companies are evaluated on ESG screens (below).

Further, to be eligible for the Selection List, a security:

- must be compliant with the UN Global Compact principles
- must not have any involvement in banned or controversial weapons.
- must not generate more than or equal to 10% revenue from Fossil Fuels.

## 1.4 FINAL COMPOSITION

From the Selection List:

- The top 10 Pure Play companies in each of the sub-themes by largest market capitalization will form the final index. If there are fewer than 10 Pure Play companies in a sub-theme, all the companies from that sub-theme will be considered for inclusion.
- In case the number of constituents in the portfolio is below 100, the number of inclusions under each sub-theme is increased progressively by 5 until the portfolio size reaches a minimum of 100 constituents.
- If there are fewer than 100 Pure Play companies, all the Pure Play companies will form the final portfolio.

## 1.5 WEIGHTING

The index is equally weighted at the time of reconstitution.

## 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 does not 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 does not qualify liquidity criteria to the extent of 30% deviation then it will be retained in the investible universe.

## 1.7 RECONSTITUTION AND REBALANCING RULES

- The index follows a semi-annual reconstitution schedule. The new portfolio becomes effective at the close of last trading day of June and December each year. This day is called the 'Reconstitution Effective Day'.
- The index also follows an extra ordinary rebalancing schedule if:
  - The current weight of any one of the securities deviates by more than 5 times from the weights set at the latest reconstitution, then and only then the new weights are calculated sixth trading days prior to the last 'Rebalance Effective Day'.
  - The rebalanced portfolio becomes effective at the close of last trading day of September, and March each Year. This day is called the 'Rebalance Effective Day'.
- The security selection and index creation process start at the close of 17 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 to the Effective Day. Index Shares are frozen using weights as of this day.

## 1.8 CORPORATE ACTIONS

Indxx standard Corporate Actions for market cap weighted indices apply. The corporate action guidebook is present in the Announcements section of our website, under 'Index Documents'.

## 2. APPENDIX

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### 2.1 METHODOLOGY CHANGES

Methodology changes since December 2022 are as follows:

Section	Previous Value	New Value	Effective Date (close)
1.3		<ul style="list-style-type: none"><li>New Industry added- Drugstore Chains.</li></ul>	December 15, 2022



### 3. DISCLAIMER

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