

Announcement

Methodology change of the Indxx Subscription Economy Index

New York – December 15, 2022 - Effective December 15, 2022 the following are the changes in the methodology of the Indxx Subscription Economy Index:

- Security Selection Process (Section 1.3)

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

December 2022

INDXX SUBSCRIPTION ECONOMY INDEX METHODOLOGY

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1.1 INDEX DESCRIPTION

The Indxx Subscription Economy Index is designed to track the performance of companies that derive a significant portion of their revenues from the subscription-based revenue model.

The index has a base date of December 31, 2015 with an initial value of 1,000.

The index is currently available in the following versions:

- 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 country of listing either in a Developed or in an Emerging Market. Developed and Emerging Markets are defined by Indxx in its 'Country Classification and Investability Requirements' document. The security should also be a part of the eligible exchanges as defined by Indxx.
- A minimum total market capitalization of \$500 million.
- A 6-month average daily turnover greater than or equal to \$2 million and \$1 million for developed and emerging markets respectively.
- 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.
- Two-year revenue Compounded Annual Growth Rate (CAGR) greater than zero.

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
- DR

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 Subscription Economy as being comprised of the following sub-themes:

Sub-Theme	Description
Software-as-a-service (SAAS)	Includes companies whose software is accessed online via subscriptions, including but not limited to those offering cloud storage or ancillary services.
Telecommunications Services	Includes companies that provide the following services: video conferencing, satellite communications, broadband networks, digital infrastructure, and fiber networks and generate revenue from the subscription-based revenue model.
X-as-a-service (XAAS)	<ol style="list-style-type: none"> <li data-bbox="651 611 1398 763">1. Media-as-a-service: Includes companies that provide the following services: content providers, streaming media companies, television and radio broadcasters, cable operators, search and navigation services, editing services, and production companies. <li data-bbox="651 801 1398 954">2. IOT-as-a service: Includes companies that are a broad mix of several industries including healthcare, technology, energy, transportation, and construction. All of the companies also manage digital services based on connected hardware. <li data-bbox="651 992 1398 1122">3. Gaming-as-a-service: Includes companies that are primarily engaged in the development of video games, app games, electronic games or providing platform associated with online gaming on a subscription basis. <li data-bbox="651 1160 1398 1312">4. Business assistance-as-a-service: Includes companies that provide any of the following services, namely management consulting, legal assistance, data services, market research, staffing and recruitment, marketing and advertising and record management. <li data-bbox="651 1350 1398 1480">5. Ecommerce-as-a-service: Includes companies that run an ecommerce platform and collect a recurring payment from customers in exchange for recurring product replenishment or on-going service. <li data-bbox="651 1518 1398 1570">6. Retail-as-a-service: Includes companies in the retail industry that run on a 'Subscription Business Model'.
Publishing	Includes companies that offer newspapers, magazines along with providing educational content, corporate research and book publishing services etc. and generate revenue through a subscription-based model.
Automotive Subscription	Includes companies in the automotive industry that provide Vehicle subscriptions services wherein a customer pays a periodic fee for the use of one or more vehicles.
Apparel Subscription	Includes companies that provide apparel subscription boxes, personal styling services, and other similar recurring revenue programs.

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



Data Processing Services	Media Conglomerates
Internet Software/Services	Electronics/Appliances
Packaged Software	Trucks/Construction/Farm Machinery
Cable/Satellite TV	Recreational Products
Major Telecommunications	Publishing: Newspapers
Internet Retail	Publishing: Books/Magazines
Information Technology Services	Specialty Stores
Telecommunications Equipment	Apparel/footwear
Motor Vehicles	Wireless Telecommunications

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 types based on revenue:

- **Pure Play:** 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' Subscription Economy related companies. These companies are included in the 'Selection List' for the index.
- **Quasi Play:** Companies with diversified revenue streams that cumulatively generate at least 20% (but less than 50%) of their revenue from the above sub-themes are considered as 'quasi-play' Subscription Economy related companies. These companies are also included in the 'Selection List' for the index.

1.4 FINAL COMPOSITION

From the Selection List:

- The top 50 Pure Play companies by market capitalization will form the final index.
- If fewer than 50 Pure Play companies qualify for inclusion in the index, then the top Quasi Play companies by market capitalization will be added until the count reaches 50.

1.5 WEIGHTING

The index is weighted as follows:

- Components are weighted based on their free float security-level market capitalization.
- A single security upper cap of 4.90% and a single security floor cap of 0.3% is applied.

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 RECONSTITUTION AND REBALANCING RULES

- The index follows an annual reconstitution and rebalancing schedule. The new portfolio becomes effective at the close of last trading day of December each year. This day is called the 'Effective Day.'
- The security selection and portfolio creation process start on the close of the nearest Friday falling at least one month before the Effective Day, called the 'Selection Day.' The selection list is created based on the data as of the Selection Day.
- Weights are calculated sixth trading day prior (five working days prior) to the Effective Day. Index shares are frozen using weights as of this day.

1.8 CORPORATE ACTIONS

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

2.1 METHODOLOGY CHANGES

Methodology changes since January 2022 are as follows:

Section	Previous Value	New Value	Effective Date (Close)
1.2	Their country of listing either in a Developed or in an Emerging Market. Developed and Emerging Markets are defined by Indxx in its 'Country Classification and Investability Requirements' document.	Their country of listing either in a Developed or in an Emerging Market. Developed and Emerging Markets are defined by Indxx in its 'Country Classification and Investability Requirements' document. The security should also be a part of the eligible exchanges as defined by Indxx.	January 5, 2022
1.3	Sub theme- Publishing: Includes companies that offer newspapers, magazines along with providing educational content, corporate research and book publishing services etc.	Sub theme- Publishing: Includes companies that offer newspapers, magazines along with providing educational content, corporate research and book publishing services etc. and generate revenue through a subscription-based model.	January 5, 2022
1.3		New Industry Added- Wireless Telecommunications	December 15, 2022

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