

Announcement

Methodology change of the Indxx SuperDividend® U.S. Low Volatility

New York - April 28, 2021 - Effective May 03, 2021 the following are the changes in the methodology of the Indxx SuperDividend® U.S. Low Volatility:

- Corporate Actions (Section 1.9)

Below is the amended methodology which will be effective from May 03, 2021.

April 2021

INDXX SUPERDIVIDEND® U.S. LOW VOLATILITY INDEX METHODOLOGY

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1. INDXX SUPERDIVIDEND® U.S. LOW VOLATILITY INDEX

1.1 INDEX DESCRIPTION

The Indxx SuperDividend® U.S. Low Volatility Index is a maximum 50-stock equal weighted index designed to measure the market performance of companies in the United States that have a high dividend yield and low beta.

The index has a base date of February 29, 2008 with an initial value of 1,000.

The index is currently available in the following versions:

- Price Return (Bloomberg Ticker: IDIVP)
- Total Return (Bloomberg Ticker: IDIVT)

1.2 CREATION OF MASTER LIST

1.2.1 Initial Universe

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

- The security should be incorporated in the US. For those securities where the company is incorporated in other countries to avail benefits (such as tax or legal benefits etc.), the country of primary listing will be considered. The final decision of assigning a country will be taken by Index Committee.
- A minimum total market capitalization of \$500 million.
- A 6-month average daily turnover greater than or equal to \$1 million.
- 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

Public float or free float should be at least 10% of the total shares outstanding for each member.

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
- MLP
- REIT

BDCs will not be considered for inclusion in the portfolio.

1.2.5 Beta

Beta of each constituent with respect to its local country benchmark, should be less than or equal to 0.85.

1.2.6 Share Classes

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

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

1.3 SECURITY SELECTION PROCESS

- The 12-month dividend yield for all the securities in the universe is calculated. All securities with dividend yield below 1% or above 20% are excluded.
- The derived List is ranked according to dividend yield. Each Constituent should have paid dividends consistently for the last two years and the current year dividend should be greater than or equal to 50% of the previous year. Companies which do not display consistent dividends are removed.
- The selection pool is ranked by dividend yield and top 200 companies are selected. These companies are included in the 'Selection List' for the index.

1.4 FINAL COMPOSITION

From the Selection List:

- The top 50 companies by dividend yield will form the final index. (Please see buffer rules section 1.6.4 of the methodology for selection rule applied to existing index components).
- Each sector has a maximum security cap of 12. In addition, MLPs have a maximum security cap of 10.
- Dividend forecast for selected constituents should be stable, i.e. there should be no official announcement as of the selection day, that dividend payments are likely to be cancelled or significantly reduced in the future. Such companies are excluded from the Top 50 and the next best securities by the highest dividend yield from the Top 200 are selected until the component count reaches 50.

1.5 WEIGHTING

All constituents in the portfolios are equally weighted. Additionally, no one particular sector can have a weight greater than 25% and MLPs should not constitute more than 20% of the index.

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 new index member list.

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 new index member list.

1.6.3 Beta

An existing index constituent shall continue to be included in the Initial Universe even if its Beta is above 0.85 but remains less than or equal to 1.

1.6.4 Dividend Yield

Additionally, an existing index constituent shall continue to be included in the index even if its Dividend Yield Rank (among securities in the Selection List) is beyond the top 50 but falls within the top 200 ranks.

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 three trading days of February 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 effective day, called the 'Selection Day.' The selection list is created based on the data as of the Selection Day.
- Weights are calculated at the close of the seventh trading day prior (six trading days prior) to the Effective Day. Index Shares are frozen using weights as of this day.
- A 3-day rolling rebalance schedule is employed, and it targets the shares calculated on the share freeze date over the three reconstitution effective days.

1.8 QUARTERLY REVIEW

- The index follows a quarterly review. The new portfolio becomes effective on the last trading day of May, August and November each year. This day is called the 'Review Effective Day.'
- The index components are screened for dividend cuts and an overall negative outlook concerning the companies' dividend policy at least ten trading days before the effective day, called the 'Selection Day.'
- A Company excluded during these quarterly reviews, is replaced by the highest yielding non-component from the top 200 (created during the last annual reconstitution).

- The replacement security is added only if it meets the Market Capitalization and ADTV criteria as mentioned under the section 1.2.1 of the methodology as of the Review Selection Date.
- The component cap at the sector level is maintained during the quarterly review.
- The added component will be given the same weight as the company that is deleted, calculated as of the Review Effective Day.
- In case more than one company is deleted, the cumulative weight of the companies is calculated and distributed equally among the replacements as of the review effective day.
- Constituents are publicly announced on the sixth trading day prior (five trading days prior) to the Review Effective Day.

1.9 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 May 2021 are as follows:

Section	Previous Value	New Value	Effective Date
1.9	The corporate action guideline table has been removed from the methodology. Please refer to the Table 1.1.	The corporate action guidebook is present in the Announcements section of our website, under 'Index Documents	May 03, 2021

Table 1.1

Corporate Action	Description	Treatment	Adjustment
Company addition and deletion	In case a constituent is added, removed or replaced with another constituent in the Index.	Replacement: The new company will be added to the index using the weight of the company being removed. Addition/ Deletion only	Index Adjustment Index Adjustment
Stock Split	A stock split is a decision by the company's board of directors to increase the number of shares that are outstanding by issuing more shares to current shareholders. After a split, the stock price will be reduced since the number of shares outstanding has increased.	Stock splits will be adjusted for on the ex- date. The number of shares will increase times the adjustment factor for the split.	No Index adjustment is required since the share count and price changes are offsetting.
Rights Issue	Rights Issue gives existing shareholders the right to purchase a proportional number of new shares at a discount to the market price on a stated future date. The rights issued to a shareholder have a value, thus compensating current shareholders for the future dilution of their existing shares' value.	The company remains in the index at the same weight. The following price adjustment is made: Price of the parent company – (the Price of Rights offering /Rights Ratio). The index committee will decide whether to participate in the right issue or not. If the subscription price is greater than or equal to the stock closing price, Indxx would not participate in the rights issue.	No Index Adjustment

Corporate Action	Description	Treatment	Adjustment
Spin-Off	Spin off is the creation of an independent company through the sale or distribution of new shares of an existing business/division of a parent company.	The company remains in the index at the same weight. The following price adjustment is made: Price of the Parent Company minus (the Price of Spin-off company/Share Exchange Ratio).	No Index Adjustment
Delisting	Delisting refers to the practice of removing the stock of a company from a stock exchange so that investors can no longer trade shares of the stock on that exchange.	The security would be removed from the index, and the invested amount in the delisted security will be reinvested into the index.	Index Adjustment
Acquisition	A corporate action in which a company buys most, if not all, of the target company's ownership stakes in order to assume control of the target firm.	The Target company would be removed from the index and the invested amount in the acquired security will be reinvested into the index.	Index Adjustment
Merger	Merger is the combination of two or more companies, generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock.	The Target company is removed from the Index. The Target company is replaced with the Surviving company.	Index Adjustment Index Adjustment
Bankruptcy	Bankruptcy is a legal proceeding involving a person or business that is unable to repay outstanding debts.	The security would be removed from the index, and the invested amount in the acquired security will be reinvested into the index.	Index Adjustment
Temporary Delisting / Prolonged Trading Suspension	A temporary delisting/trading suspension occurs when a security stops trading on the stock exchange for a certain time period. This usually occurs when a publicly-traded company is going to release significant news about itself.	The security would be removed from the index based on the Index Committee's decision and the invested amount in the acquired security will be reinvested into the index.	Index Adjustment
Special Dividends	When a company pays a special dividend, the share price of the company declines by the amount of the dividend.	The respective stock is adjusted to reflect a fall in the price of the company paying the special dividend.	No index adjustment is required since the share count and price changes are offsetting.
Bonus Issue of Shares	A bonus share is a free share of stock given to current/existing shareholders in a company, based upon the number of shares owned by them.	The issue of bonus shares increases the total number of shares issued and owned, it does not increase the value of the company. The ratio of number of shares held by each shareholder remains constant.	No Index Adjustment is required since the share count and price changes are offsetting.

3. DISCLAIMER

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