

Effective July 2018, following are the changes in the methodology of Indxx USA E-Commerce Index.

1. Country limitation is changed from Domicile in the US to primary listing in the US.
2. Earlier maximum number of constituents of the index was not defined, now it has been changed to 50.

Below is the amended methodology which will be effective from July 31, 2018.

# Indxx USA E-Commerce Index

---

## Index Description

---

The Indxx USA E-Commerce Index is a Net Total Return Index which tracks the performance of most actively traded internet commerce stocks which have a primary listing in the U.S.

## Creation of Master list

---

### Universe

- Securities must have their primary listing in the U.S.
- Securities must have a minimum market capitalization of \$500 million and a 3-month average daily turnover of at least \$2 million.
- Securities must have traded for at least 90% of the total trading days over the last 3 months in their respective stock exchanges.

### Free Float

All securities must have a minimum free float equivalent to 10% of shares outstanding.

### 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 would remain in the universe irrespective of their stock price.

### Security Type

Common Stock

## Share Classes

---

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

1. The most liquid share class is considered for inclusion in the portfolio.

## Security Selection

---

Extensive research is undertaken with a focus of identifying the industries and business segments that earn from commercial activity on the internet, including auctioning, placing orders, making payments, transferring funds, and collaborating with trading partners. "Internet services" companies are not eligible for inclusion in the index. The following are the sub-themes that have been most relevant for the selection of securities for inclusion in the index:

Sub-theme	Description
Fintech	Online Trading and exchanges companies
Social Networking	Social networking service where users post and interact with messages
E-commerce	Online shopping web sites for retail sales direct to consumers
Payment	Making it easy for buyers to order online, irrespective of location, Digital and Mobile Payments Companies.
Online Subscription	Internet subscription service company for movies, live streaming or entertainment
Online Marketplace	Online companies that act as a marketplace for instance online travel companies, game publishers which distribute their content digitally,etc
Data & Analytics	Marketing to customers by e-mail or fax; Search engines

In order to identify companies related to the above sub-themes, companies belonging to the below list of Factset Industries are included in the Selection List:

Internet Software/Services	Recreational Products	Internet Retail
Other Consumer Services	Information Technology Services	Catalog/Specialty Distribution
Miscellaneous Commercial Services	Drugstore Chains	Financial Publishing/Services
Advertising/Marketing Services	Apparel/Footwear	Packaged Software
Data Processing Services	Cable/Satellite TV	Investment Banks/Brokers

## Final Composition

Top 50 companies based on market capitalization that generate 50% or more of their revenue from the above sub-themes are included in the index.

## Weighting

- The index is a free float adjusted market capitalization weighted total return index. The maximum weight for any single stock is 8.00%.
- If a stock exceeds the maximum weight, then, the excess weight shall be re-distributed proportionally across all other index constituents. the following step-wise capping process is followed:
  - The largest 2 stocks are capped at 8.00%.
  - The 3<sup>rd</sup> largest stock is capped at 7.00%.
  - The 4<sup>th</sup> largest stock is capped at 6.50%.
  - The 5<sup>th</sup> largest stock is capped at 6.00%.
  - The 6<sup>th</sup> largest stock is capped at 5.50%.
  - The 7<sup>th</sup> largest stock is capped at 5.00%.
  - All other stocks are capped at 4.50%.

## Buffer Rules

Buffer Rules are employed to reduce Portfolio Turnover. If an existing index constituent fulfils all the other criteria for universe creation, except market capitalization or liquidity, the following buffer rules apply:

## **Market Capitalization**

The constituent shall continue to be included in the universe, if its market capitalization is greater than or equal to 80% of the previously defined market capitalization limit.

## **Liquidity**

The constituent shall continue to be included in the universe if its 6-month ADTV is greater than or equal to 70% of the previously defined liquidity limit.

## **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 July each year. This day is called 'Effective Day'.
- The security selection and portfolio creation process starts 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 using the data as of the Selection day.
- Weights are calculated at the close of the seventh trading day prior to the Effective Day. Index Shares are frozen using weights as of this day.

## **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'

# Disclaimer

---

This methodology document and all information contained herein including, without limitation, all text, data, graphs, charts, visuals and theory (collectively, the “information”), were created by and is the sole property of Indxx, LLC. Redistribution, reproduction and/or photocopying of this document in whole or part is prohibited without written permission from Indxx. All information in this document provided by Indxx is impersonal and not tailored to the needs of any person, entity or group. None of the information constitutes an attempt at an offer to sell (or an attempt of an offer to buy), or a promotion or recommendation of, any security, product, investment vehicle or any trading strategy, and Indxx does not endorse, approve or otherwise express any opinion regarding any issuer, security, financial product, instrument, or trading strategy. None of the information, Indxx indices, models, other products or services contained herein is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and should not be relied on as such. A decision to invest in any investment fund or other vehicle should not be made based solely on information or statements contained in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks, fees and expenses associated with investing, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other vehicle. Historical data, analysis and performance of Indxx indices should not be taken as an indication or guarantee of any future performance. Indxx does not guarantee the accuracy and/or completeness of any Indxx index, any data included herein, or any data from which it is based, and Indxx shall have no liability for any errors, omissions, or interruptions therein. All information in these materials is provided “as is” and the content may change without notice.

For more information on the index, please email [info@indxx.com](mailto:info@indxx.com).  
Learn more at [www.indxx.com](http://www.indxx.com).