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# INDXX CANNABIS INDUSTRY INDEX METHODOLOGY

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# 1. INDXX CANNABIS INDUSTRY INDEX

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## 1.1 INDEX DESCRIPTION

The Indxx Cannabis Industry Index is designed to track the performance of companies that provide products or services related to the medical or industrial use of cannabis or cannabis derivatives.

The index has a base date of May 29, 2015 with an initial value of 1,000.

The index is currently available in the following versions:

- Net Total Return (Bloomberg Ticker: ICANNT)
- Price Return (Bloomberg Ticker: ICANNP)
- Total Return (Bloomberg Ticker: ICANN)

## 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 United States, Canada, Australia, Japan, Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and United Kingdom exchanges.
- A minimum total market capitalization of \$100 million.
- A minimum worldwide monthly trading volume of at least 250,000 shares, or minimum total dollar volume traded per month of \$25 million, averaged over the last 6 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 would remain in the initial universe irrespective of the 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
- If an ADR of the company exists, it is given preference over all other share classes.
- The most liquid share class/ listing is considered for inclusion.

## 1.3 SECURITY SELECTION PROCESS

Based on extensive research, Indxx has defined cannabis as being comprised of the following sub-themes:

Ancillary	Cannabis focused activities.
Cultivators	Production or cultivation of medical cannabis and industrial hemp.
Industrial Hemp	Use of hemp for the industrial uses of its derived product.
Pharmaceuticals	Medicines with key ingredient as cannabis with the aim of improving people's health.
Testing and Analytics	Analytical tools, research materials or cannabis based compounds for usage in drug testing, clinical toxicology analysis, drug monitoring or developing new drugs, among other application.

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

Agricultural Commodities/Milling	Real Estate Investment Trusts	Miscellaneous Manufacturing
Pharmaceuticals: Other	Chemicals: Agricultural	Oil & Gas Production
Real Estate Development	Electrical Products	Other Consumer Services
Apparel/Footwear	Financial Conglomerates	Other Metals/Minerals
Biotechnology	Industrial Machinery	Pharmaceuticals: Major
Electronic Equipment/Instruments	Information Technology Services	Miscellaneous
Environmental Services	Internet Retail	Electronics Distributors
Internet Software/Services	Other Consumer Specialties	Household / Personal Care
Medical/Nursing Services	Personnel Services	Medical Specialties
Miscellaneous Commercial Services	Precious Metals	Pharmaceuticals: Generic
Investment Banks/Brokers		

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

All companies that relates to the above sub-themes are included in the 'Selection List' for the index.

## 1.4 FINAL COMPOSITION

From the Selection List:

- All companies that form the 'Selection List' shall form the final portfolio.

## 1.5 WEIGHTING

The index is weighted as follows:

- Components are weighted equally.

## 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 investable 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 investable 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 May 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 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.

## 1.8 CORPORATE ACTIONS

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

## 2. DISCLAIMER

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