

August 2021

# INDXX GLOBAL AEROSPACE & DEFENSE INDEX METHODOLOGY

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# 1. INDXX GLOBAL AEROSPACE & DEFENSE INDEX

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## 1.1 INDEX DESCRIPTION

The Indxx Global Aerospace & Defense Index is a Net Total Return Index which measures the performance of most actively traded stocks in aerospace and defense sector.

The index has a base date of August 31, 2012 with an initial value of 1,000.

The index is currently available in the following versions:

- Net Total Return (Bloomberg Ticker: MTFGADNT)

## 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 in the following countries: Austria, Belgium, Canada, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Portugal, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom and United States.
- Not have their domicile in the following countries: Australia, Brazil, Chile, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, New Zealand, Peru, Philippines, Poland, Qatar, Russian Federation, South Africa, South Korea, Taiwan, Thailand, Turkey and United Arab Emirates.
- Have a minimum total market capitalization of \$500 million.
- Have a 6-month average daily turnover greater than or equal to \$2 million.
- Have traded for at least 90% of the total trading days over the last 6 months on their respective stock exchanges.

### 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

### 1.2.5 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
- If an ADR of the company exists, it is given preference over all other share classes.
- In all other cases, the most liquid share class/listing is considered for inclusion in the portfolio.

## 1.3 SECURITY SELECTION PROCESS

All the companies from the initial universe which belong to the Aerospace & Defense Industry as defined by Indxx below are included in the Selection List.

“Companies that are involved in either manufacturing, assembling or distribution of aircraft and aircraft parts. It also includes companies involved in production of components and equipment used in the defense sector. Further, companies that provide military aircraft, radar equipment and weapons are also included.”

## 1.4 FINAL COMPOSITION

From the Selection List:

- The top 50 companies by market capitalization will form the final index.

## 1.5 WEIGHTING

The index is weighted as follows:

- Components are weighted based on their free float adjusted market capitalization.
- For the initial weighting, each component is capped at the maximum weight of 4.50%.
- The weights of components that are domiciled in US are capped at 40%.
- The excess weight is redistributed across all other components in the index on a proportional basis to get the final weights. Even the components that were initially capped at 4.5% in the first step would be considered for this proportional weight redistribution.
- The maximum weight cap limit for the components after the redistribution is 20%.

## 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 INDEX CALCULATOR

The calculator of this index is Solactive AG.

## 1.8 INDEX PUBLISHER

This index is published by Indxx.

## 1.9 INDEX EDITOR

This index is edited by Indxx.

## 1.10 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 August each year. This day is called the 'Effective Day.'
- The security selection and portfolio creation process start on the close of seventeen trading days 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 sixth trading day prior (five trading days prior) to the Effective Day. Index Shares are frozen using weights as of this day.

## 1.11 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 August 2021 are as follows:

Section	Previous Value	New Value	Effective Date
1.2.1	<p>Their listing in one of these countries: Australia, Austria, Belgium, Canada, Denmark, France, Germany, Greece, Hong Kong, Israel, Italy, Japan, Norway, Poland, Spain, Sweden, Switzerland, United Kingdom and United States.</p>	<ul style="list-style-type: none"> <li>• Have their country of listing in the following countries: Austria, Belgium, Canada, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Portugal, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom and United States.</li> <li>• Not have their domicile in the following countries: Australia, Brazil, Chile, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, New Zealand, Peru, Philippines, Poland, Qatar, Russian Federation, South Africa, South Korea, Taiwan, Thailand, Turkey and United Arab Emirates.</li> </ul>	Aug 03, 2021

### 3. DISCLAIMER

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