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# INDXX GLOBAL CLOUD COMPUTING INDEX METHODOLOGY

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# 1. INDXX GLOBAL CLOUD COMPUTING INDEX

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## 1.1 INDEX DESCRIPTION

The Indxx Global Cloud Computing Index tracks the performance of companies that are in the Cloud Computing Industry. The Cloud Computing Industry is involved in the delivery of computing services-servers, storage, databases, networking, software, analytics and more over the Internet which is referred to as 'The Cloud'.

The index has a base date of November 8, 2013 with an initial value of 1,000.

The index will be available in the following version:

- Total Return (Bloomberg Ticker: ICOUT)
- Price Return (Bloomberg Ticker: ICoup)
- Net Total Return (Bloomberg Ticker: ICou)

## 1.2 CREATION OF MASTER LIST

### 1.2.1 Initial Universe

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

- Primary listing in Developed or Emerging Markets, excluding India. Developed and Emerging Markets are defined by Indxx in its 'Country Classification and Investability Requirements' document.
- A minimum total market capitalization of \$200 million.
- A 6-month average daily turnover greater than or equal to \$2 million.
  - In case of a Significant IPO, a security must have an average daily turnover greater than or equal to \$2 million since the IPO launch date.
- 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), to be considered for inclusion, in case of Significant IPOs, the IPO must have been listed at least 10 calendar days prior to the 'Selection Date', and in the case of other IPOs, 3 calendar months prior to the 'Selection Day'.
  - Additionally, unless the security is a Significant IPO, the security must have traded on 90% of the eligible trading days for the 3 months preceding the 'Selection Day' (this requirement shall not apply to Significant IPOs).
  - An IPO is considered to be a "Significant IPO" if its company level total market capitalization is greater than the company level total market capitalization of at least 50% of the on-going index constituents as of previous 'Reconstitution Selection Day'.

### 1.2.2 Free Float

All securities must meet one of the following criteria:

1. A minimum free float equivalent to 10% of shares outstanding (or)
2. A minimum free float market capitalization of \$1 billion.

### 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

### 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.
- The most liquid share class/ listing is considered for inclusion in the portfolio.

## 1.3 SECURITY SELECTION PROCESS

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

Software as a Service (SaaS)	Companies that are involved in licensing and delivery of software over the internet on a subscription basis which is sometimes called as “on-demand software”.
Platform as a Service (PaaS)	Companies that are involved in providing a platform for creating software applications which are delivered over the internet.
Infrastructure as a Service (IaaS)	Companies that are involved in providing virtualized computing resources over the internet. The services include shared resources like shared storage, shared servers, storage pool etc.
Data Center REITs	Companies that are involved in owning and managing facilities that customers use to safely store data and offer a range of products and services to help keep servers and data safe, including providing uninterruptable power supplies, air-cooled chillers and physical security.
Cloud and Edge Computing Infrastructure/Cloud Infrastructure Components	Companies involved in manufacturing or distributing hardware components like chips that are built into servers, specialized network switches and routers etc. used in cloud and edge computing activities.

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

Cable/Satellite TV	Packaged Software
Computer Communications	Real Estate Investment Trusts
Computer Peripherals	Recreational Products
Computer Processing Hardware	Telecommunications Equipment
Information Technology Services	Data Processing Services
Internet Retail	Major Telecommunications
Internet Software/Services	Semiconductors

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

In order to qualify for inclusion in the index, a company must either:

- Derive greater than or equal to 50% of its revenues from the sub-themes listed above (“Cloud Computing Companies”);

Or

- Derive equal to or greater than \$500M from the provision of public cloud infrastructure (“Public Cloud Companies”). Public Cloud Companies are those that focus solely on providing public cloud infrastructure rather than platforms that provide access to the public cloud services of third parties.

## 1.4 FINAL COMPOSITION

From the Selection List:

- Top 30 Cloud Computing Companies ranked by revenue percentage attributed to cloud computing, subject to the following considerations:
  - A maximum of five Data Center REITs can be included in the final index.
  - If two or more companies have the same revenue percentage, then the company with higher 6-month average daily turnover will be considered eligible for inclusion in the index.
- In addition, the top 10 Public Cloud Companies by revenue attributed to public cloud infrastructure are included in the Index. If there are fewer than 10 eligible Public Cloud Companies, all eligible Public Cloud Companies are included in the Index.

## 1.5 WEIGHTING

Cloud Computing Companies in the index are weighted as follows:

- Constituents are weighted based on their security-level market capitalization.
- The aggregate weight of Data Center REITs is capped at 10%.
- A single security cap of 4.00% and a single security floor of 0.3% is applied.

Public Cloud Companies in the index are weighted as follows:

- Constituents are weighted based on their security-level market capitalization.
- The aggregate weight of Public Cloud Companies is capped at 10%.
- A single security weight cap of 2% and a single security floor 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 index 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 index 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 Revenue

- An eligible Cloud Computing Company that is not currently an index constituent shall only be included in the index if it ranks 10<sup>th</sup> or higher by revenue derived from the sub-themes listed above. In this case, current index constituent that ranks last by revenue derived from the sub-themes is removed.
- A current index constituent that is a Cloud Computing Company will be removed from the index if it ranks 40<sup>th</sup> or lower by revenue derived from the sub-themes listed above. In this case, the highest ranking non-constituent by revenue will be added to the index.

## 1.7 RECONSTITUTION AND REBALANCING RULES

- The index follows a semi-annual reconstitution and rebalancing schedule. The new portfolio becomes effective on the close of business on the second Friday of May and November 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 APPENDIX

### 2.1 METHODOLOGY CHANGES

Methodology changes since November 2020 are as follows:

Section	Previous Value	New Value	Effective Date (close)
1.2.1	<ul style="list-style-type: none"> <li>· A 6-month average daily turnover greater than or equal to \$2 million.</li> </ul>	<ul style="list-style-type: none"> <li>· A 6-month average daily turnover greater than or equal to \$2 million.               <ul style="list-style-type: none"> <li>• In case of a Significant IPO, a security must have an average daily turnover greater than or equal to \$2 million since the IPO launch date.</li> </ul> </li> </ul>	Nov 30, 2020
	<ul style="list-style-type: none"> <li>· Traded on 90% of the eligible trading days in the last 6 months.               <ul style="list-style-type: none"> <li>• 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.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>· Traded on 90% of the eligible trading days in the last 6 months.               <ul style="list-style-type: none"> <li>• In case a security does not have a trading history of 6 months (only IPOs), to be considered for inclusion, in case of Significant IPOs, the IPO must have been listed at least 10 calendar days prior to the 'Selection Date', and in the case of other IPOs, 3 calendar months prior to the 'Selection Day'.</li> <li>• Additionally, unless the security is a Significant IPO, the security must have traded on 90% of the eligible trading days for the 3 months preceding the 'Selection Day' (this requirement shall not apply to Significant IPOs).</li> <li>• An IPO is considered to be a "Significant IPO" if its company level total market capitalization is greater than the company level total market capitalization of at least 50% of the on-going index constituents as of previous 'Reconstitution Selection Day'.</li> </ul> </li> </ul>	

### 3. DISCLAIMER

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