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INDXX INDIA SMALL CAP INDEX METHODOLOGY

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1. INDXX INDIA SMALL CAP INDEX

1.1 INDEX DESCRIPTION

The Indxx India Small Cap Index is a maximum 75 stock free-float adjusted market capitalization weighted index designed to measure the market performance of companies in the small cap segment in India.

The index has a base date of March 30, 2007 with an initial value of 1,000.

The index is currently available in the following versions:

- Price Return (Bloomberg Ticker: ISGIN)
- Total Return (Bloomberg Ticker: ISGINT)

1.2 CREATION OF MASTER LIST

1.2.1 Initial Universe

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

- Their listing is on Indian stocks exchanges.
- A free float market capitalization of a minimum \$100 million and a maximum of \$2 billion.
- A 6-month average daily turnover greater than or equal to \$2 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

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

1.2.5 Foreign Institutional Investor (FII) Limit

Available FII Limit of each security should be at least 5%. Securities which are a part of the Government of India restrictive list for foreign investors would not be considered for inclusion in the universe.

1.2.6 Share Classes

- 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.

1.3 SECURITY SELECTION PROCESS

All securities shortlisted on the basis of the criteria defined above forms the 'Selection List'.

1.4 FINAL COMPOSITION

A maximum of 75 companies with the lowest rank by market capitalization will form the final index.

1.5 WEIGHTING

The index is weighted as follows:

- Components are weighted based on their security level free-float market capitalization.
- A single security cap of 4.9% is applied.

1.6 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:

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.

1.7 RECONSTITUTION AND REBALANCING RULES

- The index follows an annual reconstitution and rebalancing. The new portfolio becomes effective at the close of business on the second last Friday of March each year. This day is called the 'Effective Day'.
- If there are seven or fewer trading days after the rebalance date up to and including the last trading day of the quarter, the new portfolio becomes effective at the close of third-last Friday of March each year.

- 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 five trading days prior to the Effective Day. Index Shares are frozen using weights as of this day

1.8 INDEX REVIEW PROCESS

- At the end of every calendar quarter, each index constituent will be reviewed for any corporate news or event which has significantly impacted the liquidity or raised concerns on corporate governance.
- Any changes to the index composition resulting from the review process will be communicated to the index users five trading days prior to the Effective Day.
- As a result of the review, effected companies would be removed at the close of the last working day of each quarter (March, June, Sep, December) and their weights would be allocated among remaining index constituents in the proportion of their existing weights.

1.9 CORPORATE ACTIONS

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

2. DISCLAIMER

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