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# INDXX METAVERSE INDEX METHODOLOGY

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# 1. INDXX METAVERSE INDEX

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## 1.1 INDEX DESCRIPTION

The Indxx Metaverse Index is designed to track the performance of companies offering technologies that assist in creating the Metaverse – an immersive virtual and augmented reality experience. These technologies include but are not limited to Virtual Reality, Augmented Reality, Digital Platforms, Payment Gateways, Optics, Semiconductors and 5G.

The index has a base date of January 21, 2022, with an initial value of 1,000.

The index is currently available in the following versions:

- Net Total Return
- Total Return
- Price Return

## 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 in Developed and Emerging Markets.
- Chinese ADRs are ineligible for inclusion in the index. However, local listings of China on Hong Kong Exchanges are eligible for inclusion.
- A minimum total market capitalization of \$1 billion.
- A 6-month average daily turnover greater than or equal to \$5 million.
- Traded for at least 90% of the total trading days for the last 6 months in its respective stock exchange. 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 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
- DR

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

## 1.3 SECURITY SELECTION PROCESS

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

**Table 1: Description of sub-themes**

Sub-Theme	Description
IP & Contents	Companies that develop content, software, and services used in augmented and virtual reality. This includes companies that create video games, graphic design tools, 3D modeling software and media content. Further, the sub-theme includes companies providing creative tools and intellectual property that aid in the creation of Metaverse. It also includes companies that provide platform to develop applications or software's that enable virtual or augmented reality.
Platforms	Companies that support technologies like interoperability and provide platforms to interact, access and share immersive digital content often in 3D simulations and virtual worlds leading to a unique user experience., including social networking and social technology platforms, video communication platforms, virtual marketplaces, and virtual worlds.
Payment	Companies that are integrating payment gateways into the metaverse. This includes companies creating nonfungible tokens for use in virtual reality.
Optics & Display	Companies that manufacture displays, controllers, motion sensors, lasers, and other components used in AR or/and VR devices.
Semiconductor / Hardware / 5G	Companies that provide semiconductor and hardware products used for interacting in virtual and augmented reality including but not limited to VR headsets, AR mounted displays, VR/AR smart glasses, play stations, mobile phones, and haptic gloves, as well as enterprise hardware such as those used to operate or create virtual or augmented reality-based environments, such as industrial cameras, projection and tracking systems, and scanning sensors. Further, used in virtual reality device the sub-theme includes companies investing in 5G infrastructure, considered as the backbone of virtual universe.

Companies involved in business activities associated with these sub-themes will be eligible for inclusion.

The sub-themes identified through this research-based approach are subject to change at the time of the reconstitution.

These eligible companies are further classified into the below categories:

- Primary Companies - Companies whose business operations are directly linked to the Metaverse. These companies have their principal business strategies and/or growth prospects inextricably linked to the Metaverse. Continued growth in the Metaverse is predicted to be vital to their businesses' economic viability in the future. In addition, these companies must either derive revenue greater than or equal to 50% from the above sub-themes or have Company Market Capitalization of greater than \$10 billion and have invested a minimum amount \$5 billion in the development of metaverse or related sub-themes.

## 1.4 FINAL COMPOSITION

From the Selection List, a total of 50 companies will be selected in following order of preference:

- Top primary companies by market capitalization.
- In the event of less than 50 Primary Companies, all of them will be selected.

## 1.5 WEIGHTING

- All components are initially equal weighted.
- Each component with a market capitalization less than \$10 billion as of the Selection Day is capped at half its calculated weight, with the remaining weight equally distributed among the other components within the classification with a market capitalization greater than \$10 billion.

## 1.6 BUFFER RULES

Buffer Rules is 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 RECONSTITUTION AND REBALANCING RULES

- The index follows a semi-annual reconstitution and quarterly rebalancing schedule. The reconstituted portfolio becomes effective at the close of third Friday of January and July each year. This day is called the 'Reconstitution Effective Day'. The rebalanced portfolio becomes effective at the close of third Friday of January, April, July, and October each year. This day is called the 'Rebalance Effective Day.'

- The security selection and portfolio creation process start on the close of the nearest Friday falling at least one month before the Reconstitution 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 Reconstitution Effective Day (or the Rebalance 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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