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INDXX JAPAN E-COMMERCE INDEX METHODOLOGY

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1. INDXX JAPAN E-COMMERCE INDEX

1.1 INDEX DESCRIPTION

The Indxx Japan E-Commerce Index is designed to track the performance of companies that provide exposure to the internet commerce space, as defined by Indxx.

The index has a base date of April 29, 2016 with an initial value of 1,000 and calculation currency as JPY.

The index is currently available in the following versions:

- Price Return
- Total 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 primary listing in Japan.
- A minimum total market capitalization of 50 bn JPY.
- A 6-month average daily turnover greater than or equal to 300 mn JPY.
- 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 its JPY equivalent) 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
- REIT

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 'Indxx Japan E-Commerce' as being comprised of the following sub-themes:

| | |
|---------------------|--|
| E-commerce | Includes companies that operate online shopping web sites for retail sales direct to consumers. |
| Digital Payment | Includes companies that make it easy for buyers to order online, irrespective of location, digital and mobile payments companies. |
| Online Subscription | Includes companies that provide internet subscription service company for movies, live streaming or entertainment. |
| Online Marketplace | Includes companies that act as a marketplace which distribute their content digitally, etc., excluding gaming industry |
| Logistics REITs | The real estate investment trusts that support growth in e-commerce by introducing logistics facilities to improve the local supply chain dynamics |

These sub-themes are comprised of companies in the following FactSet industries, as defined by Indxx:

| | |
|--------------------------------|-----------------------------------|
| Packaged Software | Internet Retail |
| Internet Software/Services | Miscellaneous Commercial Services |
| Other Consumer Services | Advertising/Marketing Services |
| Catalog/Specialty Distribution | Regional Banks |
| Real Estate Development | Real Estate Investment Trusts |
| Finance/Rental/Leasing | |

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

Companies are classified into one of the following types based on revenue:

- **Pure Play:** Companies from the Master List that cumulatively derive revenue greater than or equal to 50% from the above sub-themes are considered as 'Pure Play' E-Commerce theme related companies. These companies are included in the 'Selection List' for the index.
- **Quasi Play:** Companies with diversified revenue streams that cumulatively generate at least 20% (but less than 50%) of their revenue from the above sub-themes are considered as 'Quasi Play' E-Commerce related companies.

1.4 FINAL COMPOSITION

From the Selection List:

- All 'Pure Play' securities in the following sub-themes will be included in the final index.
 - E-commerce
 - Digital Payment
 - Online Subscription
 - Online Marketplace
- If fewer than 20 'Pure Play' companies qualify for inclusion from the above mentioned 4 sub-themes, then the top 'Quasi Play' companies ranked by proportion of revenue attributable to the 4 sub-themes, will be added until the count reaches 20.
- A maximum of 10 Logistics REITs in the order of their revenue % attributable to Logistics segment will be included in the portfolio subject to being in 'Pure Play' only.

1.5 WEIGHTING

The index is weighted as follows:

- Components are weighted based on their free float security-level market capitalization.
- A single security cap of 8.0% is applied.
- A maximum aggregated weights cap of 10% is applied for the components classified under 'Quasi-Play', if applicable.
- A maximum aggregated weights cap of 10% is applied for the components in Logistics REITs sub-theme.
- If the weighting scheme mentioned above becomes infeasible, then the single security cap may be relaxed.

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 RECONSTITUTION AND REBALANCING RULES

- The index follows an annual reconstitution and semi-annual rebalancing schedule. The new portfolio becomes effective at the close of last trading day of April each year. This day is called 'Effective Day.' Rebalancing occurs semi-annually effective at the close of last trading day of April and October 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 using 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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