

INDXX COUNTRY CLASSIFICATION AND INVESTABILITY REQUIREMENTS

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1. INDXX COUNTRY CLASSIFICATION AND INVESTABILITY REQUIREMENTS

1.1 DESCRIPTION

The Indxx Country Classification and Investability Requirements document details the framework used in classification of countries as developed, emerging or frontier. The framework follows rules-based criteria to evaluate the economic, financial and institutional characteristics of a country.

1.2 COUNTRY CLASSIFICATION CRITERIA

Following three criteria, viz. economic factors, financial factors and qualitative factors are used to determine the country classification:

1.2.1 Economic Factors

a) World Bank GNI per capita (Source: World Bank)

Definition: GNI per capita is a metric, used by the World Bank, to classify countries based on their income levels. Indxx uses the same to determine the relative levels of economic development.

- Developed Countries – Countries must have a minimum GNI per capita of US\$ 12,695 to be eligible for Developed Market status.

b) Human Development Index (Source: UNDP)

Definition: The Human Development Index (HDI) is a composite measure, published annually by United Nations Development Programme, to measure a country's life expectancy, level of education and economic development.

- Developed Countries – Countries must have a minimum HDI of 0.86 to be eligible for Developed Market status.
- Emerging Countries – Countries must have a HDI score between 0.86 and 0.66 to be eligible for Emerging Market status.

1.2.2 Financial Factors

a) Market Capitalization (Source: FactSet)

Definition: Indxx measures the market capitalization of a country considering all the primary listings of domestic stock exchanges. A country's market capitalization is calculated based on the two steps:

1. A company is classified into a country based on its primary listing.
2. Aggregate the combined market capitalization of all companies within a country.

Post the above process, all countries are ranked based on the market capitalization.

- Developed Countries – Countries must have a minimum market capitalization of 40th percentile to be eligible for Developed Market status
- Emerging Countries – Countries must have a minimum market capitalization of 25th percentile to be eligible for Emerging Market status

b) Liquidity (Source: FactSet)

Definition: Indxx measures the liquidity of a country considering all the primary listings of domestic stock exchanges. The process is explained in the following two steps:

1. A company is classified into a country based on its primary listing.
 2. Aggregate the combined 6-month ADTV of all companies within a country.
- Developed Countries – Countries must have a minimum 6-month ADTV of US\$ 55 mn to be eligible for Developed Market Status
 - Emerging Countries – Countries must have a minimum 6-month ADTV of US\$ 14 mn to be eligible for Emerging Market Status

Additionally:

Developed Country – A country is classified as Developed when it meets all the economic and financial factors for Developed Market status.

Emerging Country – Among the countries that do not meet all the criteria for Developed Market status; a country is classified as Emerging Market based on the following:

- If the country meets both the financial factor criteria for Developed Market status, then it will be classified as Emerging Market.
- If one or both of the financial factor's criteria is met for Emerging Market status but not for Developed Market status, then both economic factors criteria should be met Developed or Emerging Market status for it to be classified as Emerging Market.

Frontier Country – All countries that are neither classified as Developed nor Emerging shall be classified as Frontier.

Additionally, the Index Committee reserves the right to use qualitative judgment to include, exclude or reclassify a country.

1.3 COUNTRY CLASSIFICATION

Developed Markets**Americas**

United States

Canada

Asia Pacific

Australia

Hong Kong

Japan

New Zealand

Singapore

South Korea

Taiwan

Europe & Middle East

Austria

Belgium

Denmark

Finland

France

Germany

Ireland

Israel

Italy

Poland

Netherlands

Norway

Portugal

Spain

Sweden

Switzerland

United Kingdom

Emerging Markets**Americas**

Brazil

Chile

Colombia

Mexico

Peru

Asia Pacific

China

India

Indonesia

Malaysia

Philippines

Thailand

Vietnam

Europe & Middle East & Africa

Czech Republic

Greece

Hungary

Kuwait

Qatar

South Africa

Turkey

United Arab Emirates

Frontier Markets**Americas**

Argentina

Jamaica

Trinidad & Tobago

Asia Pacific

Bangladesh

Sri Lanka

Europe & Middle East & Africa

Bosnia

Herzegovina

Bulgaria

Croatia

Estonia

Lithuania

Kazakhstan

Romania

Serbia

Slovenia

Ukraine

Botswana

Ghana

Kenya

Mauritius

Morocco

Nigeria

Tunisia

Zimbabwe

Bahrain

Jordan

Lebanon

Egypt

1.4 MARKET CAP CLASSIFICATION

Developed Markets		Emerging Markets		Frontier Markets	
Large cap	>= US\$10 bn	Large cap	>= US\$8 bn	Large cap	>= US\$5 bn
Mid cap	US\$2 bn to < US\$10 bn	Mid cap	US\$2 bn to < US\$8 bn	Mid cap	US\$1 bn to < US\$5 bn
Small cap	US\$500 mn to < US\$2 bn	Small cap	US\$500 mn to < US\$2 bn	Small cap	US\$100 mn to < US\$1 bn

1.5 LIQUIDITY CRITERIA

Developed Markets: Minimum average daily turnover for the last 6 months should be greater than or equal to US\$ 2 mn.

Emerging Markets: Minimum average daily turnover for the last 6 months should be greater than or equal to US\$ 1 mn.

Frontier Markets: Minimum average daily turnover for the last 6 months should be greater than or equal to US\$ 0.50 mn

1.6 INDXX REGIONAL INDICES

Indxx Global Indices: Indxx Global Indices are designed to track the performance of securities that have a listing in Developed and Emerging Markets, as defined by Indxx.

Indxx Developed Market Indices: Indxx Developed Market Indices are designed to track the performance of securities that have a listing in Developed Markets as defined by Indxx.

Indxx Emerging Market Indices: Indxx Emerging Market Indices are designed to track the performance of securities that have a listing in Emerging Markets as defined by Indxx.

Indxx Frontier Market Indices: The Indxx Frontier Market Indices are designed to track the performance of the securities that have a listing in Frontier Markets as defined by Indxx.

1.7 REVIEW

Indxx reviews its Indxx Country Classification and Investability Requirements document once in five years in July. The countries that are eligible for developed and emerging market criteria are eligible for reclassification.

1.8 EXTRAORDINARY MARKET EVENTS

Indxx monitors information about countries throughout the year. In extraordinary market situations including but not limiting to economic crisis, political instability, environmental disaster, Index committee reserves the right to change its country classification intra annually. For instance, in such an event, a country may be deleted from developed or emerging markets classification if deemed appropriate by the committee.

1.9 MARKETS AND COUNTRIES UNDER REVIEW

China A-Shares inclusion in an Index is subject to eligibility criteria explicitly mentioned in the methodology. The China A-share market will be reviewed for possible inclusion by the Index Committee at the next annual review.

1.10 SANCTIONS

External events such as trading sanctions on certain companies or securities, exchanges or countries may make it difficult or impossible for investors to access certain index constituents. Indxx will review the sanctions on case-by-case basis and, after comprehensive analysis, Indxx will take necessary measures keeping in mind the best interest of an index. Based on the type of sanctions, Indxx may delete specific securities from live indexes or block securities from possible inclusion in an index. In all cases, Indxx will make a public announcement about the new sanctions and treatment being done.

Companies/securities excluded or not considered in index constituents can be considered for inclusion in subsequent reconstitutions once respective sanctions are removed provided the security is traded for at-least 6 months after lifting the sanctions.

2. DISCLAIMER

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