

INDXX SuperDividend® Emerging Markets Index

Methodology

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INDXX SuperDividend® Emerging Markets Index

Index Description

The INDXX SuperDividend® Emerging Markets Index is a maximum 50 stock Index designed to measure the market performance of companies in the Emerging Markets that have a high dividend yield.

Creation of Master list

Investable Universe

- Minimum market capitalization is set at \$1 billion.
- Minimum average daily turnover for 6 months is set at \$2 million.
- Average daily turnover for each of the preceding 3 months must be greater than \$1 million.
- The stock must have 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 (e.g., 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.

Free Float

All constituents must have a minimum free float equivalent to 10% of shares outstanding.

Geographical Focus

The security should be incorporated in Emerging Markets."(as defined by Indxx)". For those securities where the company is incorporated in other countries to avail benefits (such as tax or legal benefits etc.), the country of primary listing will be considered. The final decision of assigning a country will be taken by Index Review Committee.

Foreign Institutional Investor (FII) Limit

For securities listed in India, available FII Limit of each company should be at least 5%.

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 Index irrespective of the stock price.

Security Type

Common Stock, Preference Shares, REITs, ADR, GDR, Other Receipts and Royalty Trust are considered.

Security Selection

- All companies forming a part of the investible universe are considered for evaluation.
- Companies which have paid dividends consistently for the last 2 years (without any dividend cut) are considered for inclusion in the portfolio. Companies which do not display consistent dividends are removed.
- Public float for the remaining companies is checked. Companies, which do not have at least 10% of public float, are removed to arrive at the 'Selection pool'.
- The selection pool is ranked by dividend yield and top 60 companies are selected. To determine the initial composition, the companies in the selection pool are ranked in descending order according to their dividend yield.
- On the selection day, only those names are removed from the existing portfolio if, at the time of rebalance, they are not a part of the top 60 in terms of yield.
- On the selection day, if an existing security having a dividend cut of less than 10%, then in that case the security will be a part of top 60 in terms of yield.
- The 50 companies with the largest dividend yield on that day are chosen as index constituents.
- All constituents in the portfolios are equally weighted. Additionally, no one particular sector and country can have a weight greater than 25%.

Weighting

Portfolios for each year are weighted equally. Individual Country and Sector weight is capped at 25%.

Buffer Rules

Buffer Rules are employed to reduce Portfolio Turnover. The following Buffer Rules are applicable:

Market Capitalization

An existing index constituent shall continue to remain in the index even if its Market Capitalization doesn't meet the previously defined criteria limit, but remains within +/- 20% of this limit.

Liquidity

An existing index constituent shall continue to remain in the index even if its Liquidity is below the previously defined Average Daily Traded Value limit, but remains within +/- 30% of this limit.

Dividend

An existing index constituent shall continue to remain in the index if it has a dividend cut of less than 10%.

Multiple Share Classes

In case a multiple share class is available, the most liquid share class will be considered for inclusion in the index.

Reconstitution and Rebalancing Rules

- The index follows an annual reconstitution. The new portfolio becomes effective at the close of business on last trading day of January each year. This day is called the 'Effective Day'.
- The security selection and portfolio creation process starts twelve trading days before the 'Freeze Date', called the 'Selection Date.' The final portfolio constituents are shortlisted from a selection pool of all eligible securities selected on the Selection Date.
- Weights are calculated at the close of seventh trading day prior to the Effective Day. Index Shares are frozen using weights as of this day.

Corporate Actions

The following corporate actions (such as stock splits, special dividends, spin-offs and rights offerings) are applied to Price Return indices on the ex-date or earlier as decided by the Index Committee.

Corporate Action	Description	Treatment	Adjustment
Company addition and deletion	In case a constituent is added, removed or replaced with another constituent in the Index.	Replacement: The new company will be added to the index using the weight of the company being removed.	Index Adjustment
		Addition/ Deletion only	Index Adjustment
Stock Split	A stock split is a decision by the company's board of directors to increase the number of shares that are outstanding by issuing more shares to current shareholders. After a split, the stock price will be reduced since the number of shares outstanding has increased.	Stock splits will be adjusted for on the ex- date. The number of shares will increase times the adjustment factor for the split.	No Index adjustment is required since the share count and price changes are offsetting.
Rights Issue	Rights Issue gives existing shareholders the right to purchase a proportional number of new shares at a discount to the market price on a stated future date. The rights issued to a shareholder have a value, thus compensating current shareholders for the future dilution of their existing shares' value.	The company remains in the Index at the same weight. The following price adjustment is made: Price of the Parent Company - (the Price of Rights Offering/Rights Ratio). The Index committee will decide whether to participate in the rights issue or not. If the subscription price is greater than or equal to the stock closing price, Indxx would not participate in the rights issue.	No Index Adjustment
Spin-Off	Spin off is the creation of an independent company through the sale or distribution of new shares of an existing business/division of a parent company.	The company remains in the Index at the same weight. The following price adjustment is made: Price of the Parent Company minus (the Price of Spin-off company/Share Exchange Ratio).	No Index Adjustment
Delisting	Delisting refers to the practice of removing the stock of a company from a stock exchange so that investors can no longer trade shares of the stock on that exchange.	The security would be removed from the index, and the invested amount in the delisted security will be reinvested into the index.	Index Adjustment
Acquisition	A corporate action in which a company buys most, if not all, of the target company's ownership stakes in order to assume control of the target firm.	The Target company would be removed from the index, and the invested amount in the acquired security will be reinvested into the index.	Index Adjustment

Corporate Action	Description	Treatment	Adjustment
Merger	Merger is the combination of two or more companies, generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock.	<p>The Target company is removed from the Index.</p> <p>The Target company is replaced with the Surviving company.</p>	<p>Index Adjustment</p> <p>Index Adjustment</p>
Bankruptcy	Bankruptcy is a legal proceeding involving a person or business that is unable to repay outstanding debts.	The security would be removed from the index, and the invested amount in the acquired security will be reinvested into the index.	Index Adjustment
Temporary Delisting / Prolonged Trading Suspension	A temporary delisting/trading suspension occurs when a security stops trading on the stock exchange for a certain time period. This usually occurs when a publicly-traded company is going to release significant news about itself.	The security would be removed from the index based on the Index Committee's decision and the invested amount in the acquired security will be reinvested into the index.	Index Adjustment
Special Dividends	When a company pays a special dividend, the share price of the company declines by the amount of the dividend.	The Stock is adjusted to reflect a fall in the price of the company paying the special dividend.	No Index adjustment is required since the share count and price changes are offsetting.
Bonus Issue of Shares	A bonus share is a free share of stock given to current/existing shareholders in a company, based upon the number of shares owned by them.	The issue of bonus shares increases the total number of shares issued and owned, it does not increase the value of the company. The ratio of number of shares held by each shareholder remains constant.	No Index adjustment is required since the share count and price changes are offsetting.

Total Return Indices

Total Return Index

In addition to all the above mentioned corporate actions, ordinary cash dividends will be applied on the ex-date for calculating TR Indices.

Adjustment in the Index

All dividend payments will be reinvested in the stock, by adjusting the shares in the total return index on the ex-dividend date.

Index Policy

Index Committee Policy

The Index Committee is responsible for setting policy, determining index composition, and administering the indices in accordance with the Indxx index methodology. The Index Committee reserves the right to use qualitative judgment to include, exclude, adjust, or postpone the inclusion of a stock. Continued index membership of a constituent is not necessarily subject to the guidelines provided in each of the Indxx index methodology. A stock may be considered for exclusion by the Index Committee on the basis of corporate governance, accounting policies, lack of transparency and lack of representation, despite meeting all the criteria provided in each of the Indxx index methodology.

Announcements

Announcements of additions and deletions of constituents, due to various corporate actions mentioned above, in the middle of the year will be decided by the Index Committee. This will be communicated to the client well ahead of time. Also important news items as well as corporate actions with respect to all the constituents of the index will be informed to the client on a weekly basis.

Holiday Schedule

The index is calculated every day except Saturdays and Sundays. In situations where an exchange is forced to close early due to unforeseen events, the index will be calculated based on the closing prices published by the exchange, or if no closing price is available, the last regular trade reported for each stock before the exchange closed.

Disclaimer

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