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INDXX PRIVATE CREDIT INDEX METHODOLOGY

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1. INDXX PRIVATE CREDIT INDEX

1.1 INDEX DESCRIPTION

The Indxx Private Credit Index tracks the performance of the Business Development Corporations (BDCs) and Closed-End Funds (CEFs), trading in the US, with significant exposure to private credit, as defined by Indxx.

The index has a base date of August 31, 2013 with an initial value of 1,000.

The index is currently available in the following versions:

- Price Return
- Total Return
- Net 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:

- The listing in the United States.
- Market capitalization greater than USD \$100 million.
- A 6-month average daily turnover greater than or equal to USD \$250,000.
- Traded for at least 90% of the total trading days over the last 6 months on their respective stock exchanges, and at least 90% of the total trading days over the last 3 months for an Initial Public Offering ("IPO") security.
- Must have paid dividends in the last three years, without interruption. In case the IPO happened within the last 3 years, continuous dividend payment since the IPO date is considered.

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 universe. This rule is not applicable for existing constituents. Existing constituents shall remain in the universe irrespective of their stock price.

1.2.4 Security Type

The following security types are eligible for inclusion:

- Common Stock
- ADR
- GDR
- DR
- Mutual Fund

1.2.5 Share Classes

If multiple share classes exist for a company, the most liquid share class is considered for inclusion in the portfolio.

1.3 SECURITY SELECTION PROCESS

Based on extensive research, Indxx has finalized the following FactSet Industries to build the Investable Universe which includes BDCs and CEFs:

Table 1: Factset Industries

Investment Managers	Investment Trusts/Mutual Funds	Financial Conglomerates
Miscellaneous Commercial Services	Investment Banks/Brokers	Finance/Rental/Leasing
Real Estate Development	-	-

The following investment parameters were identified to estimate the exposure of a BDC (Table 2) or CEF (Table 3) to private credit.

Table 2: Description of Investment parameters for a BDC

Investment Parameter	Description
Objective	The investment objective of the company includes generating both current income and capital appreciation through debt and equity investments in small or middle-market companies.
Criteria	The investment strategy of the eligible companies is such that the company provides capital to small or middle-market private companies.
Strategy	Majority of the investments in the capital structure of the small or middle-market companies is through employing private credit strategies which include but are not limited to: senior secured lending; unsecured debt; first/second lien debt; subordinate debt; mezzanine financing; preferred equity; rescue financing; specialty lending; and distressed credit.

Table 3: Description of Investment parameters for a CEF

Investment Attribute	Description
Portfolio Composition	Portfolio investment in the asset classes which include but are not limited to: floating or variable loan interests; collateralized loan obligations (CLOs); first/second lien loans; private debt; leveraged loans; senior loans; BDCs; and others providing exposure to private credit.

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

Companies are classified into one of the following two baskets based on their exposure to Private Credit:

- **BDC Private Credit:**

Companies from the Master list which are managed as a Business Development Company and meet the investment parameters mentioned in Table 1, are included in the BDC Private Credit basket. These companies are included in the 'Selection List' for the index.

- **CEF Private Credit:**

Companies from the Master list which operate as a Closed-End Fund and have private credit exposure of at least 50%, are included in the CEF Private Credit basket. These companies are also included in the 'Selection List' for the index.

1.4 FINAL COMPOSITION

From the Selection List:

- All the BDCs in the Selection List will be part of the final index.
- All the CEFs in the Selection List are ranked based on their absolute difference between NAV and Price as of the Selection Day. The top 75% of CEFs from this ranked list will be part of the final index.

1.5 WEIGHTING

The index is weighted as follows:

- Components are weighted based on dividend yield, with the weighing of each security calculated based on 3-year cumulative dividend for the security as of the freeze date.
- Each BDC with company level market capitalization less than 250 million USD or ADTV less than 0.50 million USD and with initial weight (based on dividend yield) greater than 1%, is capped at 1%.
- The excess weight of the BDC's is proportionally distributed among the rest of the constituents (including the CEFs).
- A single security cap of 5% and a single security floor of 0.3% is applied.

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.

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.

1.7 RECONSTITUTION AND REBALANCING RULES

- The index follows an annual reconstitution and quarterly rebalancing schedule. The new portfolio becomes effective at the close of last trading day of August each year. This day is called the 'Effective Day.' The rebalanced portfolio becomes effective at the close of the last trading day of November, February and May each year. This day is called the 'Rebalanced Effective Day'.
- 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 at the close of the seventh trading day prior to the Effective Day. Index Shares are frozen using weights as of this day.

1.8 CORPORATE ACTIONS

Indxx standard Corporate Actions for market cap weighted indices apply. The corporate action guidebook is present in the Announcements section of our website, under 'Index Documents'.

2. DISCLAIMER

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