

## **Indxx Global Medical Devices Index**

### **Methodology**

**June, 2018**

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# Indxx Global Medical Devices Index

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## Index Description

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*The Indxx Global Medical Devices Index is a Net Total Return Index which is designed to track the performance of the companies listed in the developed and emerging markets that are trading in the medical devices Industry.*

## Creation of Master list

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### *Investable Universe*

- Minimum market capitalization is set at US \$ 500 million
- Minimum average daily turnover for last 6 months is set at US \$2mn.
- 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 Index is designed to include the most liquid and investable universe of companies listed in developed and emerging markets except Malaysia, Korea and Taiwan.

### *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 their stock price.

### *Security Type*

Common stock, American Depositary Receipts (ADRs), and Global Depositary Receipts (GDRs)

## Security Selection

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The security selection process entails the following steps:

- All companies from investable universe that are a part of the Factset sub industry 'Medical, Surgical and Dental Suppliers' will form the selection list.
- The Final Selection List is ranked by Market Capitalization and a maximum of 50 companies with highest ranks are selected to form the final portfolio.

## Weighting

This index is an equal weighted index.

## Buffer Rules

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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 does not meet the previously defined minimum market capitalization criteria, 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.

## Multiple Share Classes

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In the event of existence of multiple share classes, the following criteria must be met in order to be eligible for inclusion in the index:

1. The company-level market capitalization must be greater than the defined cut-off level.
2. ADT/Tradability/float/other criteria must be fulfilled at the share-class level.

In case multiple share classes qualify for inclusion in the index, weights to each share class shall be assigned based on their share-class level market capitalization and free-float data.

## Reconstitution and Rebalancing Rules

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- The index follows an annual reconstitution and rebalancing schedule. The new portfolio becomes effective at the close of last trading day of February each year. This day is called the 'effective day'.
- The security selection and index creation process starts on the close of 17<sup>th</sup> trading day prior to the effective day, called the 'Selection Day.'
- The final portfolio constituents are shortlisted from a selection pool of all eligible securities selected based on the data as of the Selection Day.
- Weights are calculated at the close of the sixth 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.  Addition/ Deletion only	Stock Adjustment  Divisor 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 divisor 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 Divisor 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 Divisor 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.	Divisor 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. The Target company is replaced with the Surviving company.	Divisor Adjustment

<b>Corporate Action</b>	<b>Description</b>	<b>Treatment</b>	<b>Adjustment</b>
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.	Divisor 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.	Divisor Adjustment
Special Dividends	When a company pays a special dividend, the share price of the company declines by the amount of the dividend.	The Divisor is adjusted to reflect a fall in the price of the company paying the special dividend.	Divisor Adjustment
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 Adjustment

## **Total Return Indices**

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### **Total Return Index**

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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**

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

## **Index Policy**

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### **Index Committee Policy**

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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**

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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**

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The index is calculated when the U.S. equity markets are open. 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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