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INDXX US WEARABLES & IoT INDEX METHODOLOGY

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1. INDXX US WEARABLES & IoT INDEX

1.1 INDEX DESCRIPTION

The Indxx US Wearables & IoT Index is designed to track the performance of companies that are associated with the Wearables and IoT segment in US.

The index has a base date of June 30, 2014 with an initial value of 1,000.

The index is currently available in the following versions:

- Net Total Return (Bloomberg Ticker: IWIOT)

1.2 CREATION OF MASTER LIST

1.2.1 Initial Universe

To be eligible for inclusion in the Initial Universe, securities must have:

- Their listing in United States.
- A minimum market capitalization of \$500 million.
- A 6-month average daily turnover greater than or equal to \$2 million.
- 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.

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

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 defined Wearables and IoT as being comprised of the following sub-themes:

Wearable Components	Companies that are primarily engaged in the manufacture of wearable components such as semiconductors, sensors, integrated circuits and displays with primary application in wearable technology.
Consumer Wearable Devices	Companies that are directly involved in developing and providing wearable devices for consumer applications in areas such as sports & fitness, infotainment/lifestyle or healthcare/ medical devices. E.g., Smart Watches, Fitness Bands, Smart Glasses, Cardiac Monitors, etc.
Industrial Wearable/IoT enabled industrial wearables	Companies that are involved in manufacturing wearables devices for industrial sector or IoT enabled industrial wearables such as smart helmets, wearable computers, etc.
Networking Infrastructure/Software	Companies that provide end-to-end wearable software solutions with IoT based wearables apps/or any software development for wearable devices.

These sub-themes are comprised of companies in the following FactSet Industries:

Information Technology Services	Medical Specialties	Containers/Packaging
Computer Processing Hardware	Aerospace & Defense	Electronics/Appliances
Telecommunications Equipment	Packaged Software	Computer Peripherals
Electronic Equipment/Instruments	Industrial Machinery	Electronic Components
Pharmaceuticals: Major	Computer Communications	Electronics Distributors
Internet Software/Services	Industrial Conglomerates	Semiconductors
Other Consumer Specialties	Major Telecommunications	Recreational Product
Apparel/Footwear		

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 three types based on revenue:

- **Pure Play:**
Companies from the Master List that derive revenue greater than or equal to 50% from the above sub-themes are considered as 'pure-play' Wearables & IoT companies. These companies are included in the 'Selection List' for the index.
- **Quasi Play:**
Companies with diversified revenue streams that generate greater than 0% (but less than 50%) of their revenue from the above sub-themes are considered as 'quasi-play' Wearables and IoT companies. These companies are also included in the 'Selection List' for the index.

1.4 FINAL COMPOSITION

From the Selection List:

- All 'pure-play' and 'quasi-play' companies will form the final index.

1.5 WEIGHTING

The index is equally weighted at the time of reconstitution and rebalancing.

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 rebalancing schedule. The new portfolio becomes effective at the close of last trading day of June each year. This day is called the '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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