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# INDXX INDIA SMALL CAP INDEX METHODOLOGY

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# 1. INDXX INDIA SMALL CAP INDEX

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## 1.1 INDEX DESCRIPTION

The Indxx India Small Cap Index is a maximum 75 stock free-float adjusted market capitalization weighted index designed to measure the market performance of companies in the small cap segment in India.

The index has a base date of March 30, 2007 with an initial value of 1,000.

The index is currently available in the following versions:

- Price Return (Bloomberg Ticker: ISCIN)
- Total Return (Bloomberg Ticker: ISCINT)

## 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 is on Indian stocks exchanges.
- A free float market capitalization of a minimum \$100 million and a maximum of \$2 billion.
- 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

### 1.2.5 Foreign Institutional Investor (FII) Limit

Available FII Limit of each security with India as its country of primary listing (excluding ADRs) should be at least 5%. Securities which are a part of the Government of India's restrictive list for foreign investors would not be considered for inclusion in the universe.

### 1.2.6 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

All securities shortlisted on the basis of the criteria defined above forms the 'Selection List'.

## 1.4 FINAL COMPOSITION

A maximum of 75 companies with the lowest rank by market capitalization will form the final index.

## 1.5 WEIGHTING

The index is weighted as follows:

- Components are weighted based on their security level free-float market capitalization.
- A single security cap of 4.9% is applied.

## 1.6 BUFFER RULES

Buffer Rules are employed to reduce Portfolio Turnover. If an existing index constituent fulfils all the other criteria for universe creation, except market capitalization or liquidity, the following buffer rules apply:

### 1.6.1 Market Capitalization

The constituent shall continue to be included in the universe, if its market capitalization is greater than or equal to 80% of the previously defined market capitalization limit.

### 1.6.1 Liquidity

The constituent shall continue to be included in the 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. The new portfolio becomes effective at the close of business on the second last Friday of March each year. This day is called the 'Effective Day'.
- If there are seven or fewer trading days after the rebalance date up to and including the last trading day of the quarter, the new portfolio becomes effective at the close of third-last Friday of September each year.
- 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 five trading days prior to the Effective Day. Index Shares are frozen using weights as of this day.

## 1.8 INDEX REVIEW PROCESS

- At the end of every calendar quarter, each index constituent will be reviewed for any corporate news or event which has significantly impacted the liquidity or raised concerns on corporate governance.
- The constituents will also be checked for breach of any trading limits.
- If there is any red flag based on the above checks, the index committee shall decide on continued index membership of the constituent.
- Any changes to the index composition resulting from the review process will be communicated to the index users subsequently.
- As a result of the review, effected companies would be removed at the close of the last working day of each quarter (March, June, Sep, December) and their weights would be allocated among remaining index constituents in the proportion of their existing weights.

## 1.9 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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