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# INDXX CANNABIS INDEX METHODOLOGY

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# 1. INDXX CANNABIS INDEX

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## 1.1 INDEX DESCRIPTION

The Indxx Cannabis Index is designed to track the performance of companies that provide products or services related to the medical or industrial use of cannabis or cannabis derivatives.

The index has a base date of May 29, 2015 with an initial value of 1,000.

The index is currently available in the following versions:

- Net Total Return (Bloomberg Ticker: ICANNT)
- Price Return (Bloomberg Ticker: ICANNP)
- Total Return (Bloomberg Ticker: ICANN)

## 1.2 CREATION OF MASTER LIST

### 1.2.1 Initial Universe

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

- Their primary listing in United States, Canada, Australia, Japan, Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and United Kingdom exchanges.
- A minimum market capitalization of \$100 million.
- A minimum worldwide monthly trading volume of at least 250,000 shares, or minimum total dollar volume traded per month of \$25 million, averaged over the last 6 months.

### 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

### 1.2.5 Share Classes

If multiple share classes exist for a company, the following preference order is followed:

- If an ADR of the company exists, it is given preference over all other share classes.
- In all other cases, the most liquid share class is considered for inclusion in the portfolio.

## 1.3 SECURITY SELECTION PROCESS

Based on extensive research, Indxx has defined cannabis as being comprised of the following sub-themes:

|                       |   |
|-----------------------|---|
| Ancillary             | Cannabis focused activities.  |
| Cultivators           | Production or cultivation of medical cannabis and industrial hemp.  |
| Industrial Hemp       | Use of hemp for the industrial uses of its derived product.   |
| Pharmaceuticals       | Medicines with key ingredient as cannabis with the aim of improving people's health.  |
| Testing and Analytics | Analytical tools, research materials or cannabis based compounds for usage in drug testing, clinical toxicology analysis, drug monitoring or developing new drugs, among other application. |

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

|                                   |                                 |                             |
|-----------------------------------|---------------------------------|-----------------------------|
| Agricultural Commodities/Milling  | Real Estate Investment Trusts   | Miscellaneous Manufacturing |
| Pharmaceuticals: Other            | Chemicals: Agricultural         | Oil & Gas Production        |
| Real Estate Development           | Electrical Products             | Other Consumer Services     |
| Apparel/Footwear                  | Financial Conglomerates         | Other Metals/Minerals       |
| Biotechnology                     | Industrial Machinery            | Pharmaceuticals: Major      |
| Electronic Equipment/Instruments  | Information Technology Services | Miscellaneous               |
| Environmental Services            | Internet Retail                 | Electronics Distributors    |
| Internet Software/Services        | Other Consumer Specialties      | Household / Personal Care   |
| Medical/Nursing Services          | Personnel Services              | Medical Specialties         |
| Miscellaneous Commercial Services | Precious Metals                 | Pharmaceuticals: Generic    |

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' cannabis companies. These companies are included in the 'Selection List' for the index.

- Quasi Play:

Companies with diversified revenue streams that generate at least 10% (but less than 50%) of their revenue from the above sub-themes are considered as 'quasi-play' cannabis companies. These companies are also included in the 'Selection List' for the index.

## 1.4 FINAL COMPOSITION

From the Selection List:

- Both pure-play and quasi-play companies will form final index.

## 1.5 WEIGHTING

The index is weighted as follows:

- Components are weighted equally.

## 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 May 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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