

## Indxx Global Generics & New Pharma Index

### Index Description

The Indxx Global Generics & New Pharma Index provides exposure to the 40 largest companies involved in manufacturing Generics, SuperGenerics, Biobetters and Biosimilars, and providing API manufacturing, CMO and CRO services to the pharmaceutical industry.

### Creation of Master list

#### Universe

To be eligible for inclusion in the universe,

- The security must have its primary listing in developed or emerging countries, as defined in our 'Country Classification and Investability Requirements' document, (link [here](#)).
- The security must have minimum market capitalization is set at \$1 billion and a 6-month average daily turnover of at least \$2 million.
- The security must have traded on 90% of the eligible trading days in the last 6 months.

#### Free Float

All constituents must have a minimum free float equivalent to 10% of shares outstanding.

#### 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.

#### Security Type

Common Stock, American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs).

### Share Classes

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

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

### Security Selection

- The generic drugs industry, as defined by Indxx, includes any company involved in the research, development, production, manufacturing or sale of generics, supergenerics, biosimilars and biobetters.
- Health care equipment companies having a focus on injectable generics, biosimilars and biobetters are eligible for inclusion in the selection list.
- Companies primarily involved in API manufacturing, and CMO and CRO services are eligible for inclusion in the selection list.

- Companies focused primarily in manufacturing biotech APIs are eligible for inclusion in the selection list.

To identify companies related to the above sub-themes, companies belonging to the below list of Factset Industries are included in the Selection List:

|                          |                        |                                   |
|--------------------------|------------------------|-----------------------------------|
| Biotechnology            | Pharmaceuticals: Other | Services to the Health Industry   |
| Pharmaceuticals: Generic | Chemicals: Specialty   | Miscellaneous Commercial Services |
| Pharmaceuticals: Major   | Medical Distributors   |                                   |

## Final Composition

- All companies that derive significant portion of their revenues from the generic drugs industry as defined above are shortlisted.
- The top 40 generic drug companies from the shortlisted list based on market capitalization will form the final portfolio. If fewer than 40 companies qualify to be eligible for inclusion, all the shortlisted companies would be part of the final portfolio.

## Weighting

1. The index is a market capitalization weighted index. Weights to each share class shall be assigned based on their security level market capitalization.
2. The maximum weight for a single component is 8.00%. If a component exceeds the maximum weight, the excess weight shall be re-distributed proportionally across all other index constituents. This process is repeated until no stocks have weights exceeding the respective maximum weight.
3. The weighting scheme is applied to the largest stocks and the excess weight after each step shall be re-distributed across all other (uncapped) stocks in the index on a proportional basis, based on the order below:
  - If the largest two stocks exceed 8.00%, then both will be capped at 8.00%.
  - If the 3rd largest stock exceeds 7.00%, then it will be capped at 7.00%.
  - If the 4th largest stock exceeds 6.50%, then it will be capped at 6.50%.
  - If the 5th largest stock exceeds 6.00%, then it will be capped at 6.00%.
  - If the 6th largest stock exceeds 5.50%, then it will be capped at 5.50%.
  - If the 7th largest stock exceeds 5.00%, then it will be capped at 5.00%.
  - If any other stock exceeds 4.50%, then it will be capped at 4.50%.

## Buffer Rule

Buffer Rules are employed to reduce Portfolio Turnover. The following buffer rule applies:

### Continued Representation in the Portfolio

An existing index constituent shall continue to remain in the index if it is part of the top 50 companies by market capitalization, even if it isn't a part of the top 40 constituents.

## **Reconstitution and Rebalancing Rules**

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- The index follows a semi-annual reconstitution and rebalancing schedule. The new portfolio becomes effective on the close of business on the third Friday of March and September each year. This day is called the 'Effective Day.'
- The security selection and portfolio creation process starts on the close of the last Friday of February and August each year, called the 'Selection Day.' The selection list is created using the data as of the Selection Day.
- Constituents are publicly announced five days prior to the Effective Day.'
- Weights are calculated at the close of the sixth day prior to the Effective Day. Index Shares are frozen using weights as of this day.

## **Corporate Actions**

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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'

## Disclaimer

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