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# INDXX NEW ENERGY & ENVIRONMENT THEMATIC INDEX DRAFT METHODOLOGY

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# 1. INDXX NEW ENERGY & ENVIRONMENT THEMATIC INDEX

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## 1.1 INDEX DESCRIPTION

The Indxx New Energy & Environment Index is an index which measures the performance of companies involved in the New Energy & Environment theme, as defined by Indxx.

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:

- Price Return
- Total Return
- Net Total Return

## 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 Developed and Emerging Markets as defined by Indxx in its 'Country Classification and Investability Requirements' document.
- A minimum market capitalization of \$500 million.
- A 6-month average daily turnover greater than or equal to \$1million for emerging markets and greater than or equal to \$2 million for developed markets.
- 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
- GDR

### 1.2.5 Share Classes

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

- Local shares are given preference over all other share classes.

## 1.3 SECURITY SELECTION PROCESS

Based on extensive research, Indxx has defined 'New Energy & Environment' as being comprised of the following sub-themes:

Solar Power	Companies that contribute towards the production and use of solar energy through a range of activities including, but not limited to: solar heating, photovoltaics, solar thermal energy, solar architecture, molten salt power plants, and artificial photosynthesis.
Wind Power	Companies involved with the design, manufacture, construction, and maintenance of wind turbines.
Hydropower	Companies that generate hydroelectricity through activities including, but not limited to: conventional hydroelectric, run-of-the-river hydroelectricity, small hydro, micro hydro, conduit hydroelectricity, pumped-storage hydroelectricity, pressure buffering hydropower, and others.
Geothermal Energy	Companies that use heat from the earth to produce electricity without releasing environmentally harmful emissions.
Biomass	Companies involved in generating energy by burning wood and other organic matter.
Biofuels	Companies that produce fuel through contemporary biological processes, such as agriculture and anaerobic digestion, rather than fuel produced by geological processes such as those involved in the formation of fossil fuels, such as coal and petroleum, from prehistoric biological matter.
Agriculture Science	Companies engaged in agricultural science contribute to producing more food without increasing environmental pressures. This involves the use of scientific tools and techniques including, but not limited to: genetic engineering, molecular markers, molecular diagnostics, vaccines, and tissue culture.
Energy-efficient Solutions	Companies that primarily develop electric components, including batteries, aimed at providing efficient energy solutions.
Waste Management	Companies that derive their revenue from monitoring and regulation of all types of waste management including, but not limited to: sewage sludge, waste water, household waste, municipal waste. Reducing, reusing and recycling, and minimizing resource extraction can provide improved air and water quality and help in the reduction of greenhouse gas emissions.

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

Alternative Power Generation	Auto Parts: OEM	Biotechnology	Chemicals: Major Diversified
Chemicals: Specialty	Electric Utilities	Electrical Products	Electronic Components
Electronic Production Equipment	Engineering & Construction	Environmental Services	Gas Distributors
Household/Personal Care	Industrial Machinery	Industrial Specialties	Miscellaneous Commercial Services
Miscellaneous Manufacturing	Motor Vehicles	Oil Refining/Marketing	Oilfield Services/Equipment
Other Metals/Minerals	Semiconductors	Steel	Water Utilities

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 cumulatively derive revenue greater than or equal to 50% from the above sub-themes are considered as 'pure-play' 'New Energy and Environment' companies. These companies are included in the 'Selection List' for the index.
- **Quasi Play:**  
Companies with diversified revenue streams that cumulatively generate at least 20% (but less than 50%) of their revenue from the above sub-themes are considered as 'quasi-play' 'New Energy and Environment' companies. These companies are also included in the 'Selection List' for the index.
- **Marginal:**  
Companies with diversified revenue streams that generate 0-20% of their revenue from the above-mentioned sub-themes or that have a distinct business unit focused on 'New Energy' or 'Environment' are considered as 'marginal' companies. These companies are also included in the 'Selection List' for the index.

## 1.4 FINAL COMPOSITION

From the Selection List:

- All 'pure-play' companies shall be considered for the final portfolio.

## 1.5 WEIGHTING

The index is weighted as follows:

- Components are weighted based on their free float security-level market capitalization.
- A single security cap of 4.5% is applied.
- The excess weight is redistributed across all other uncapped components in the index on a proportional basis to get the final weights.

## 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 index creation process start at the close of 17 trading days before the effective day, called the 'Selection Day.' The selection list is created using the data as of this 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.

## 1.8 IPO REVIEW

- To effectively capture IPOs, the index constituents will be reviewed on a quarterly basis. New additions to the portfolio become effective on the close of last trading day of every quarter. This day is called the 'Review Effective Day'.
- The IPO identification process starts at the close of the nearest Friday falling at least one month before the effective day. This day is called the 'Review Selection Day'.
- Potential inclusions in the mid-term review must meet the market capitalization criteria as of the review selection date day.
- The liquidity criteria should be greater than the threshold as defined as of the review selection date.
- The securities must have traded on 90% of the eligible trading days for the past 3 months from the Review Selection Day.
- Any new addition to the portfolio at the time of review will be added as per the weighting scheme mentioned in the methodology, calculated at the close of seventh trading day prior to the Effective Day. The new addition's Index Shares will be frozen using weights as of this day.

## 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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