

## Indxx Cannabis Index

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### Index Description

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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.

### Creation of Master list

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#### Universe

To be eligible for inclusion in the universe, the following considerations must be fulfilled.

- The security should have its primary listing in developed and emerging markets (excluding Brazil, Taiwan and South Korea) as defined in our 'Country Classification and Investability Requirements' document (link [here](#)).
- The security must have a minimum market capitalization of \$100 million and 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.

#### Security Type

Common Stock, ADR, GDR.

#### Free Float

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

#### 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 would remain in the universe irrespective of their stock price.

### Share Classes

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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

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Extensive research is undertaken with a focus of identifying the sub-themes that are involved in the application of cannabis. As of May 2017, the sub-themes identified by Indxx are:

Category	Definition
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.

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

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

## Final Composition

- Companies that generate 50% or more of their revenues from the sub-themes defined above are classified as pure play companies. Companies that generate between 10 and 50% of their revenues from the sub-themes defined above are called quasi - play companies.
- Both pure-play and quasi-play companies are included in the index.

## Weighting

All constituents are equally weighted at the time of reconstitution.

## 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:

### **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.

## ***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.

## **Reconstitution and Rebalancing Rules**

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- 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 starts 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 using 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.

## **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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