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INDXX GLOBAL AEROSPACE & DEFENSE INDEX METHODOLOGY

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1. INDXX GLOBAL AEROSPACE & DEFENSE INDEX

1.1 INDEX DESCRIPTION

The Indxx Global Aerospace & Defense Index is a Net Total Return Index which measures the performance of most actively traded stocks in aerospace and defense sector.

The index has a base date of August 31, 2012 with an initial value of 1,000.

The index is currently available in the following versions:

- Net Total Return (Bloomberg Ticker: MTFGADNT)

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 in one of these countries: Australia, Austria, Belgium, Hong Kong, United States, Canada, Denmark, France, Germany, Greece, Italy, Japan, Norway, Poland, Sweden, United Kingdom, Switzerland, Spain, Israel.
- A minimum market capitalization of \$500 million.
- 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.

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

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

All the companies from the universe which belong to the Aerospace & Defense Industry as defined by Indxx are included in the Selection List.

1.4 FINAL COMPOSITION

From the Selection List:

- The top 50 companies by highest market capitalization will form the final index.

1.5 WEIGHTING

The index is weighted as follows:

- Components are weighted based on their free float adjusted market capitalization.
- For the initial weighting, each component is capped at the maximum weight of 4.50%.
- The weights of components that are domiciled in US are capped at 40%.
- The excess weight is redistributed across all other components in the index on a proportional basis to get the final weights. Even the components that were initially capped at 4.5% in the first step would be considered for this proportional weight redistribution.
- The maximum weight cap limit for the components after the redistribution is 20%.

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 August each year. This day is called the 'Effective Day.'
- The security selection and portfolio creation process start on the close of 17 trading days 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 sixth 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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