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INDXX SUPERDIVIDEND ALTERNATIVES INDEX METHODOLOGY

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1. INDXX SUPERDIVIDEND ALTERNATIVES INDEX

1.1 INDEX DESCRIPTION

The Indxx SuperDividend Alternatives Index is designed to track the performance of different Alternative asset classes, with an objective of providing a diversified portfolio of assets with a low volatility and high dividend yield. The index seeks exposure to the following four asset classes:

- Infrastructure
- Institutional Managers
- Fixed Income
- Global X SuperDividend REIT ETF

The index has a base date of September 30, 2011 with an initial value of 1,000.

The index is currently available in the following versions:

- Total Return (Bloomberg Ticker: IALTYT)

1.2 CREATION OF MASTER LIST

1.2.1 Initial Universe

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

- Their domicile or listing in the United States.
- The following criterions for the Market capitalization and 6-month Average Daily Turnover are being followed:

		Market Capitalization	6-month Average Daily Turnover
Infrastructure	Infrastructure Companies	\$ 1 billion For securities which are a part of the existing portfolio - \$500 million	\$ 2 million For securities which are a part of the existing portfolio - \$1 million
	MLPs	\$ 1 billion For securities which are a part of the existing portfolio - \$500 million	\$ 2 million For securities which are a part of the existing portfolio - \$1 million
Institutional Managers	Private Equity	\$ 300 million For securities which are a part of the existing portfolio - \$150 million	\$ 2 million For securities which are a part of the existing portfolio - \$1 million
	BDCs	\$ 300 million For securities which are a part of the existing portfolio - \$150 million	\$ 2 million For securities which are a part of the existing portfolio - \$1 million
Fixed Income		\$ 100 million For securities which are a part of the existing portfolio - \$75 million	\$ 1 million For securities which are a part of the existing portfolio - \$0.5 million
GlobalX SuperDividend REIT ETF		N/A	N/A

1.2.2 Security Type

The following security types are eligible for inclusion:

- Common Stock
- REITs
- Closed Ended Funds
- MLPs

Exclusions:

- All entities that are taxed as partnerships, other than Qualified Publicly Traded Partnerships (QPTP) MLPs, are excluded from the index.

1.2.3 Share Classes

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

- The most liquid share class is considered for inclusion in the portfolio.

1.3 SECURITY SELECTION PROCESS

Based on extensive research, Indxx has defined the security selection process for the various asset classes as follows:

Infrastructure:

- All the US Infrastructure companies from the universe which belong to the Infrastructure Industries as defined by Indxx satisfying the market capitalization and liquidity criteria are included in the Selection List. The top 16 securities based on highest trailing 12-month dividend yield form the selection list.
- All US companies which are structured as Master Limited Partnerships (MLPs) and satisfy the market capitalization and liquidity criteria are included to form the MLP masterlist. From this list, the top 16 securities based on highest trailing 12-month dividend yield form the selection list.

Institutional Managers:

- US companies which qualify as BDCs and Private Equity Companies that meet the market capitalization and liquidity requirements have been included in the master list for Institutional Managers.
- The top 30 securities based on highest trailing 12-month dividend yield form the selection list.

Fixed Income:

- Closed Ended Funds (CEFs) with exposure to option writing strategies (Buy-Write CEFs): The top 10 CEFs identified by dividend yield that satisfy the market capitalization and liquidity criteria form the selection list.
- Closed Ended Funds (CEFs) with exposure to Currency Carry and Emerging Market Debt Strategies (Currency Income CEFs): The top 10 CEFs identified by dividend yield that satisfy the market capitalization and liquidity criteria form the selection list.
- Closed Ended Funds (CEFs) with exposure to Mortgage and Asset Backed Securities (MBS CEFs). The top 10 CEFs identified by dividend yield that satisfy the market capitalization and liquidity criteria form the selection list.

Global X SuperDividend REIT ETF:

- The current constituents of the Global X SuperDividend REIT ETF.

1.4 FINAL COMPOSITION

From the Selection List:

Infrastructure:

- **US Infrastructure:** Out of the Selection List, the top 8 by lowest volatility over the last 1 year are selected to form the final composition.
- **Master Limited Partnerships (MLPs):** Out of the Selection list, the top 8 by lowest volatility over the last 1 year are selected to form the interim list for MLPs.
- Both these interim lists are combined, and the 16 constituents are equal weighted to form the index.

Institutional Managers:

- **BDCs and Private Equity Companies:** Out of the selection list, the top 15 by lowest volatility over the last 1 year are selected to form the final portfolio. These are equal weighted to form the index.

Fixed Income:

- **Closed Ended Funds (CEFs) with exposure to option writing strategies (Buy-Write CEFs):** Out of the selection list, the top 5 among these, by lowest volatility are selected to form the final portfolio for Buy-Write CEFs.
- **Closed Ended Funds (CEFs) with exposure to Currency Carry and Emerging Market Debt Strategies (Currency Income CEFs):** Out of the selection list, the top 5 among these, by lowest volatility are selected to form the final portfolio for Currency Income CEFs.
- **Closed Ended Funds (CEFs) with exposure to Mortgage and Asset Backed Securities (MBS CEFs):** Out of the selection list, the top 5 among these, by lowest volatility are selected to form the final portfolio for MBS CEFs.

Global X SuperDividend REIT ETF:

- The current constituents of the Global X SuperDividend REIT ETF.

1.5 WEIGHTING

The index is weighted as follows:

- Components are weighted based on their trailing 12-month volatilities and correlations for each of the asset classes.
- A risk parity weighting scheme is employed, to ensure every asset class has an equal risk weight.
- A cap of 40% weight is applied to each asset class after the risk parity weighting
- Within each Asset class, the constituents are equal weighted.

1.6 BUFFER RULES

Buffer Rules are employed to reduce Portfolio Turnover. The following buffer rules apply:

1.6.1 Infrastructure

From the master list, the top 20 dividend yielding companies are selected and then the top 10 companies by lowest volatility form buffer lists for both MLPs and Infrastructure Companies. A security that is a part of the existing portfolio would automatically qualify for inclusion in the new portfolio, if it is a part of the buffer list.

1.6.2 Institutional Managers

From the master list, the top 36 dividend yielding companies are selected and then the top 18 companies by lowest volatility form the buffer list. A security that is a part of the existing portfolio would automatically qualify for inclusion in the new portfolio, if it is a part of the buffer list.

1.6.3 Fixed Income

From the master list, the top 12 dividends yielding CEFs are selected and then the top 6 CEFs by lowest volatility form the buffer list. A security that is a part of the existing portfolio would automatically qualify for inclusion in the new portfolio, if it is a part of the buffer list. For a CEF to be removed, the replacement must have a dividend yield 1% higher than the CEF being removed.

1.7 RECONSTITUTION AND REBALANCING RULES

1.7.1 Reconstitution

- The index follows an annual reconstitution schedule. Every individual asset class is reconstituted on the last three trading days of September. These days are called the 'Reconstitution Effective Days.'
- The security selection and portfolio creation process start on the close of nearest Friday falling at least one month before the effective day, called the 'Selection Day'. Target weights are also calculated on the selection day based on the risk parity weighting scheme.
- A 3-day rolling rebalance schedule is employed, and it targets the weights calculated on the weight calculation day over the three reconstitution effective days.
- Constituents are publicly announced on the sixth trading day prior to the last trading day in September.

1.7.2 Rebalance

- The index follows a quarterly rebalancing schedule. The rebalance is effective on the last three trading days of March, June and December. These days are called the 'Rebalance Effective Days.'
- Every individual asset class is rebalanced, if the current weight of any one of the baskets deviates from the target weight by more than 3% [then the new target](#) weights are calculated six trading days prior to the last rebalance effective day.
- A 3-day rolling rebalance schedule is employed, and it targets the weights calculated on the weight calculation day over the three rebalance effective days.
- Constituents are publicly announced on the sixth trading day prior to the last trading day in March, June and December.

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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