
Indxx US Junior Cybersecurity Index

Index Description

The Indxx US Junior Cybersecurity Index is a Net Total Return Index which is designed to track the performance of the companies that have a primary listing in the US and are actively trading in the cybersecurity space.

Creation of Master list

Universe

To be eligible for inclusion in the universe,

- The security must have its primary listing on the US stock exchanges.
- The security must have a minimum market capitalization of \$500 million and maximum market capitalization of \$3 billion.
- The security must have a 6-month average daily turnover greater than or equal to \$2 million.
- The security must have traded on 90% of the eligible trading days in the last 6 months. In case a security does not have a trading history of 6 months (only IPOs), such a security must have started trading at least 3 months before the start of the Reconstitution/Rebalancing Process, and should have traded on 90% of the eligible trading days for the past 3 months.

Free Float

All securities 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.

Security Type

Common Stock, ADR.

Share Classes

If multiple share classes exist for a company, the most liquid share class is considered for inclusion in the portfolio.

Security Selection

Extensive research is undertaken with a focus on identifying the sub-themes that would provide exposure to Cyber Security space. As of May 2018, Indxx has identified the following sub-themes to be the most relevant to the cybersecurity theme:

Sub-theme	Description
Network Security software or hardware providers	These companies provide either software, hardware or module to make the network/computer systems more secure.
Data storage infrastructure providers	These companies work in providing secure data storage infrastructure like data centres.
Communication security software or hardware providers	These companies provide secured communication devices and softwares for defense or enterprise purposes

To identify companies related to the above sub-themes, companies belonging to the below list of RBICS L6 are included in the Selection List:

Carrier Edge Network Management Equipment	Business Intelligence Software	Advanced Combat and Support Systems Manufacturing
Customer Premises Network Security Equipment	Development and Design Services	Security and Management Consulting
Colocation and Data Center Services	Other Network Software	Defense Electronics Equipment Manufacturing
Government IT Services	Network Administration Software	Software Design and Engineering Consulting
Network Security Access Policy Software	Customer Service Software	General Information Technology (IT) Consulting
Network Security Software	Enterprise Security Management Software	General Enterprise and Technology Consulting
Data Storage Infrastructure Software	Aerospace and Defense IT Services	General Infrastructure and Network Consulting
Diversified IT Infrastructure Software	Defense Contractors	Multi-Industry-Specific IT Services
Multi-Type Home and Office Software	Communications Infrastructure Software	General and Mixed-Type Software
Other Business Communications Equipment	Credit and Information Bureaus	General Infrastructure and Network Consulting
General Communications Equipment	General Computer Hardware Manufacturing	Commercial Document Security Providers

The RBICS L6 identified through this research based approach are subject to change at every annual reconstitution.

Final Composition

- Companies that derive revenue greater than 50% from the cyber security space are considered as 'pure-play' cyber security companies. These are eligible for inclusion in the index.
- Companies that derive up to 50% of their revenues from the sub-themes defined above are considered as 'quasi-play' cyber security companies. These companies are also considered for inclusion in the index.
- The top 50 'pure-play' companies by market capitalization will form the final portfolio.
- If fewer than 50 pure-play companies are eligible for inclusion, the index includes quasi-play companies (based on market capitalization) till the total index component count reaches a maximum of 50.

Weighting

- Components are equally weighted.

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

- 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 based on the 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

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'.

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