

## Indxx Global Fintech Thematic Index

### Index Description

The Indxx Global Fintech Thematic Index is designed to track the performance of companies listed in developed markets that are offering technology-driven financial services which are disrupting existing business models in the financial services and banking sectors.

### Creation of Master list

#### Investable Universe

- The security should have its primary listing in developed markets as defined by our 'Country Classification and Investability Requirements' document (link [here](#)).
- The security must have a minimum market capitalization of \$100 million and a 6-month average daily turnover of at least \$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, GDR

### Share Classes

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

Extensive research is undertaken with a focus on identifying the industries and business segments that are most involved in the application of disruptive technologies in the financial services and banking sectors. As of July 2017, Indxx has identified the following industries to be the most relevant to the Fintech theme:

Sub-theme	Description
P2P and Marketplace Lending	Providing online platforms for peer-to-peer and marketplace lending
Mobile payments	Platforms and services that focus on peer-to-peer mobile payments and POS (Point-of-sale) services
Crowd-funding	Online platforms for sourcing funds from individual members
Blockchain and alternative currencies	Utilizing blockchain technology to provide financial services and development of alternative currencies
Personal Finance Software, Automated Wealth Management and Trading	Developing personal finance software, robo-advisor solutions and are technology enabled investment solution providers
Enterprise Solutions	Focused on disrupting traditional areas of financial services such as lending, credit scoring and banking

The sub-themes identified through this research-based approach are subject to change at every annual reconstitution.

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:

Internet Software/Services	Information Technology Services	Data Processing Services
Packaged Software	Investment Banks/Brokers	Financial Publishing/Services
Finance/Rental/Leasing	Investment Managers	Miscellaneous Commercial Services

## Final Composition

- Companies that derive 50% or more of their revenue from the above identified sub-themes are eligible for inclusion in the index. Such companies are defined as pure-play companies.
- The top 'pure-play' Fintech companies by market capitalization will form the final portfolio. The index is capped at 100 companies. If fewer than 100 companies qualify to be eligible for inclusion, all these companies would be included in the index.
- If fewer than 20 companies qualify to be eligible for inclusion, a secondary list of companies with diversified revenue streams that generate between 10% and 50% of their revenues from the identified sub-themes are included in the index (quasi-play companies), until the total component count reaches 20 names.

## Weighting

- Security-level market capitalization is considered for calculating weights.
- Initially, weights are assigned to each component based on their market capitalization.
- A single security weight cap of 6% and a minimum weight floor of 0.3% is applied.
- The balance weight is proportionately distributed among the remaining securities while retaining the 6% and 0.3% weight limits.

- The aggregate weight of the securities with weight greater than 5% is capped at 45%. All remaining securities are capped at 4.75%.

## **Buffer Rules**

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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.

### **Continued Representation in the Portfolio**

Additionally, an existing index constituent shall continue to remain in the index if it is part of top 120 companies by market cap, even if it isn't a part of the top 100 constituents.

## **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 June each year. This day is called the 'Effective Day.'
- The security selection and portfolio creation process starts at 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 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. This day is called the 'freeze date'.

## **Mid-term review**

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- The index follows a mid-term review for inclusion of IPOs. The effective day for addition of IPOs during the mid-term review would be the last trading day of December.
- The IPO identification process starts at the close of the nearest Friday falling at least one month before the effective day. Potential inclusions in the mid-term review must meet tradability, liquidity and market capitalization criteria as of this day.
- Any new addition to the portfolio at the time of review will be added at its market capitalization weight, 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.

## **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'

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