

Indxx YieldCo & Renewable Energy Income Index

Index Description

The Indxx YieldCo & Renewable Energy Income Index is designed to track the performance of income-paying renewable energy companies (RECs) and companies categorized as YieldCos.

The index has a base date of March 31, 2016 with an initial value of 1,000.

The index is currently available in the following versions:

Net Total Return (Bloomberg Ticker: IYLCOREC)

Creation of the Master List

Initial Universe

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

- Their primary listing in a Developed or Emerging Market, excluding India, as defined by Indxx in the 'Country Classification and Investability Requirements' document.
- Minimum market capitalization of \$500 million.
- 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, and at least 90% of the total trading days over the last 3 months for an Initial Public Offering ("IPO") security.

Free Float

All securities must have:

1. A minimum free float equivalent to 10% of shares outstanding
(or)
2. A minimum free float market capitalization of \$1 billion

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 the stock price.

Security Type

The following security types are eligible for inclusion:

1. Common stock
2. American Depositary Receipt
3. Global Depositary Receipt
4. Limited Partnerships

Share Classes

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

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

Security Selection Process & List

Based on extensive research, Indxx has defined YieldCo & Renewable Energy Income as being comprised of the following themes:

Theme
YieldCos
Renewable energy utilities (solar, wind, hydro, etc.)
Producers of renewable energy components [solar panels(photovoltaic), wind turbines, industrial-scale batteries, fuel cells, etc.]
Producers of biofuels
Smart grid companies facilitating renewable energy use
Companies that install/operate/finance renewable energy systems

Only 'pure play' companies, defined as companies which are generating a significant (greater than or equal to 50%) portion of their revenues from any or all the businesses mentioned above or that utilize renewable energy sources for a significant share (greater than or equal to 50%) for their energy production, are eligible for inclusion in the Selection List.

Final Composition

From the Selection List:

- All the eligible 'pure play' securities in the selection list with a trailing 12-month dividend yield greater than 2% are included in the final portfolio.
- If the final portfolio has fewer than 30 names, then the market capitalization threshold is reduced to \$300million, and the shortfall is met as follows:
 - Adding the highest yielding securities with a yield above 2%, until there are 30 names.
 - If the constituent count is still less than 30, then the yield threshold of 2% is relaxed and the highest yielding securities from the selection pool are added, until there are 30 components.

These securities which are added by reducing the market capitalization criteria to get the constituent count to 30 are defined as 'marginal companies.'

Weighting

The index is weighted as follows:

- Components are weighed based on the security-level market capitalization.
- A weight cap of 6% is assigned and the excess weights are redistributed proportionately among non-capped components.
- A total weight cap of 40% on all securities with weights greater than 5% is applied and the weights of all the remaining companies are capped at 4.5%.
- The aggregate weight of Partnerships is capped at 25%. Any excess weight is redistributed proportionately among the non-capped components.
- If a new constituent is added with a yield of less than 2% for the index to maintain 30 constituents, the weight of any new constituent with a dividend yield less than 2% is capped at a 2% weight. If this component has a yield above 2% at the following rebalance, at that point the security will be uncapped and receive a weight proportionate to its MCAP and subject to the weighting rules of the index. Existing constituents that fall below a 2% yield are not capped but are subject to the Buffer Rules described below.

Buffer Rules

Buffer Rules are employed to reduce Portfolio Turnover. If an existing index constituent fulfills all the other criteria for universe creation, except market capitalization or liquidity, the following buffer rules apply:

Market Capitalization

For constituents that are not marginal companies: 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.

For marginal companies, the buffer rule will be applicable as follows:

- During subsequent reconstitutions, if a non-index constituent meets all the investability criteria defined above, it will replace the lowest ranking marginal company based on market capitalization. If there are multiple marginal and new eligible non-index constituents that meet the investability criteria, they will sequentially replace the marginal companies in order of increasing market capitalization.
- During subsequent reconstitutions, if a non-index constituent does not meet the market capitalization criteria defined above but has a larger market capitalization than the marginal company, it will replace the lowest ranking marginal company only if the marginal company fails to meet the buffer rule (i.e. it has fallen below 80% of the defined market capitalization limit of \$300 million for marginal companies).

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.

Dividend Yield

A constituent shall continue to remain in the Initial Universe until Yield drops below 1.5% for two consecutive quarters.

Reconstitution and Rebalancing Rules

- The index follows a quarterly reconstitution. The new portfolio becomes effective on the close of business on the third Friday of March, June, September, and December every year. This day is called the 'Effective Day.'
- The security selection and portfolio creation process starts on the last working day falling at least one month before the effective day, called the 'Selection Day.' The final portfolio constituents are shortlisted from a selection pool of all eligible securities selected 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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