

## Indxx Disruptive Technologies Index

### Index Description

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The Indxx Disruptive Technologies Index is an equal weighted index that is designed to provide exposure to companies that are likely to disrupt an existing market and value network, displace established market leading firms, products and alliances and increasingly gain market share.

### Creation of Master list

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#### Universe

In order to be considered for inclusion in the universe,

- The security have its primary listing in a Developed or Emerging Market country, as defined in our 'Country Classification and Investability Requirements' document (link [here](#)).
- The security must have a minimum market capitalization of \$500 million and a 6-month average daily turnover of at least \$2 million.
- The stock 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 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 of 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 index constituents. Existing constituents would remain in the universe irrespective of the stock price.

#### Security Type

Common Stock, ADR, GDR.

### Share Classes

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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 case of companies domiciled in China, their HK listings are considered for inclusion. If a relevant HK listing is not available, the company is ignored.
3. In all other cases, the most liquid share class is considered for inclusion in the portfolio.

### Security Selection

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The Indxx Disruptive Technologies Index focuses on providing exposure to a variety of disruptive themes. The list of these themes as of March 2017, is as follows:

Theme	Relevant Sub Themes
3D Printing	3D printing hardware, CAD and 3D printing software, 3D printing materials and centers, 3D scanning and measurements.
Clean Energy and Smart Grid	Energy producers or clean energy equipment providers/involved in grid-related activities.
Cloud Computing	Cloud service providers/ products and services that uses cloud computing technology.
Cybersecurity	Development and administration of security protocols for protection of the data integration and network operations.
Data and Analytics	Providing data analytics tools and services, decision making software and market intelligence services to third parties.
Fintech	Enterprise Solutions, P2P and Marketplace Lending, Crowd-Funding, Personal Finance Software, Automated Wealth Management and Trading, Blockchain and Alternative Currencies.
Healthcare Innovation	Robotic Assistance, 3D solutions, Digital Healthcare, Artificial intelligence related to healthcare
IoT	Semiconductors and Sensors, Networking Infrastructure/Software, Equipment, Vehicle and Infrastructure/Building Technology or Consumer IoT Technology
Mobile Payments	Payments solutions, payment processing services, credit card network or payment industry infrastructure and software services.
Robotics & Artificial Intelligence	Industrial Robotics and Automation, Unmanned Vehicles and Drones, Non-Industrial Robotics and Artificial Intelligence.

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:

Packaged Software	Miscellaneous Manufacturing	Insurance Brokers/Services
Electronic Equipment/Instruments	Chemicals: Major Diversified	Publishing: Books/Magazines
Industrial Machinery	Aluminum	Other Consumer Specialties
Medical Specialties	Telecommunications Equipment	Financial Conglomerates
Biotechnology	Steel	Regional Banks
Industrial Conglomerates	Metal Fabrication	Other Consumer Services
Air Freight/Couriers	Finance/Rental/Leasing	Marine Shipping
Chemicals: Specialty	Electronic Production Equipment	Aerospace & Defense
Computer Processing Hardware	Investment Trusts/Mutual Funds	Computer Communications
Information Technology Services	Electrical Products	Data Processing Services
Textiles	Electric Utilities	Services to the Health Industry
Alternative Power Generation	Internet Software/Services	Information Technology Service
Environmental Services	Internet Retail	Investment Managers
Electronic Components	Cable/Satellite TV	Hospital/Nursing Management
Industrial Specialties	Recreational Products	Auto Parts: OEM
Semiconductors	Real Estate Investment Trusts	Financial Publishing/Services
Miscellaneous Commercial Services	Computer Peripherals	Advertising/Marketing Services
Electronics/Appliances	Investment Banks/Brokers	Wholesale Distributors
Engineering & Construction		

## Final Composition

- All companies from the Selection List that generate 50% or more of their revenues from the above mentioned disruptive themes are eligible for inclusion in the index. Such companies are defined as pure-play companies.

- The top ten 'pure-play' companies by market capitalization from each theme will form the final portfolio. If fewer than 10 companies qualify to be eligible for inclusion from a theme, all the eligible companies will from that theme shall be included in the index.

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## **Weighting**

The Index is equally weighted at the time of reconstitution and rebalancing.

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## **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.

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## **Reconstitution and Rebalancing Rules**

- The index follows an annual reconstitution and quarterly rebalancing schedule. The reconstituted portfolio becomes effective on the close of business on the third Friday of September each year. This day is called the 'Reconstitution Effective Day'. The rebalanced portfolio becomes effective on the close of business on the third Friday of March, June and December each year, called the 'Rebalance Effective Day'.
- The security selection and portfolio creation process starts on the close of the nearest Friday in August, that is at least one month before the Reconstitution Effective Day, called the 'Selection Day.' The final portfolio constituents are shortlisted from the Selection List, created using data as of the Selection Day.
- Weights are calculated at the close of the seventh trading day prior to the Reconstitution Effective Day (or the Rebalance Effective Day). Index Shares are frozen using weights as of this day.

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## **Annual Theme Review**

- In order to keep the identified Disruptive Themes relevant and to capture new disruptions, the list of themes is reviewed and updated on an annual basis, while performing the annual index reconstitution.
- As a result, the list of themes is subject to change each year. However, any theme identified as a disruptive theme shall continue to remain in the index for a minimum duration of 3 years.

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## **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'

# Disclaimer

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