

September 2018

# INDXX USA REGIONAL BANKING INDEX METHODOLOGY

## CONTENTS

1. INDXX USA REGIONAL BANKING INDEX .....	2
1.1 INDEX DESCRIPTION .....	2
1.2 CREATION OF MASTER LIST .....	2
1.2.1 Initial Universe .....	2
1.2.2 Free Float .....	2
1.2.3 Maximum Price .....	2
1.2.4 Security Type .....	2
1.2.5 Share Classes .....	2
1.3 SECURITY SELECTION PROCESS .....	3
1.4 FINAL COMPOSITION .....	3
1.5 WEIGHTING .....	3
1.6 BUFFER RULES .....	3
1.6.1 Market Capitalization .....	3
1.6.1 Liquidity .....	3
1.7 RECONSTITUTION AND REBALANCING RULES .....	3
1.8 CORPORATE ACTIONS .....	4
2. DISCLAIMER .....	5

---

# 1. INDXX USA REGIONAL BANKING INDEX

---

## 1.1 INDEX DESCRIPTION

The Indxx USA Regional Banking Index tracks the performance of regional banks, i.e. the banks that operate within the respective local markets.

The index has a base date of February 28, 2013 with an initial value of 1,000.

The index is currently available in the following versions:

- Net Total Return (Ticker: MTFRBUNT)

## 1.2 CREATION OF MASTER LIST

### 1.2.1 Initial Universe

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

- Their primary listing in US.
- A minimum market capitalization of \$500 million.
- A 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.

### 1.2.2 Free Float

All securities must have a minimum free float equivalent to 10% of shares outstanding.

### 1.2.3 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 their stock price.

### 1.2.4 Security Type

The following security types are eligible for inclusion:

- Common Stock

### 1.2.5 Share Classes

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

### 1.3 SECURITY SELECTION PROCESS

- Securities belonging to the Factset Industry 'Regional Banks' are filtered from the Universe to form the Selection List.
- All securities in the Selection List are used to construct the Indxx Banking Benchmark Index.
- The trailing 12-month correlation of all the securities in the selection list vs the Indxx Banking Benchmark Index is then computed on the selection day.

### 1.4 FINAL COMPOSITION

From the Selection List:

- The top 50 securities with the highest correlation will form the final index.

### 1.5 WEIGHTING

The index is weighted as follows:

- Components are weighted equally.

### 1.6 BUFFER RULES

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

#### 1.6.1 Market Capitalization

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.

#### 1.6.1 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.

### 1.7 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 February each year. This day is called the 'Effective Day.'
- The security selection and portfolio creation process start on the close of 17 trading days 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 sixth trading day prior to the Effective Day. Index Shares are frozen using weights as of this day.

## 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

---

This methodology document and all information contained herein including, without limitation, all text, data, graphs, charts, visuals and theory (collectively, the “information”), were created by and is the sole property of Indxx, LLC. Redistribution, reproduction and/or photocopying of this document in whole or part is prohibited without written permission from Indxx. All information in this document provided by Indxx is impersonal and not tailored to the needs of any person, entity or group. None of the information constitutes an attempt at an offer to sell (or an attempt of an offer to buy), or a promotion or recommendation of, any security, product, investment vehicle or any trading strategy, and Indxx does not endorse, approve or otherwise express any opinion regarding any issuer, security, financial product, instrument, or trading strategy. None of the information, Indxx indices, models, other products or services contained herein is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and should not be relied on as such. A decision to invest in any investment fund or other vehicle should not be made based solely on information or statements contained in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks, fees and expenses associated with investing, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other vehicle. Historical data, analysis and performance of Indxx indices should not be taken as an indication or guarantee of any future performance. Indxx does not guarantee the accuracy and/or completeness of any Indxx index, any data included herein, or any data from which it is based, and Indxx shall have no liability for any errors, omissions, or interruptions therein. All information in these materials is provided “as is” and the content may change without notice.

For more information on the index, please email.

Learn more at [www.indxx.com](http://www.indxx.com).