

September 2018

INDXX BLOCKCHAIN INDEX METHODOLOGY

CONTENTS

1. INDXX BLOCKCHAIN 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	3
1.3 SECURITY SELECTION PROCESS	3
1.4 FINAL COMPOSITION	4
1.5 WEIGHTING	4
1.6 BUFFER RULES	5
1.6.1 Market Capitalization	5
1.6.2 Liquidity	5
1.7 RECONSTITUTION AND REBALANCING RULES	5
1.8 PERIODIC INDEX REVIEW	5
1.9 CORPORATE ACTIONS	5
2. DISCLAIMER	6

1. INDXX BLOCKCHAIN INDEX

1.1 INDEX DESCRIPTION

The Indxx Blockchain Index is designed to track the performance of companies that are either actively using, investing in, developing, or have products that are poised to benefit from blockchain technology. The index seeks to include only companies that have devoted material resources or made material commitments to the use of blockchain technologies.

The index has a base date of March 18, 2016 with an initial value of 1,000.

The index is currently available in the following versions:

- Price Return (Bloomberg Ticker: ILEGRP)
- Total Return (Bloomberg Ticker: ILEGR)
- Net Total Return (Bloomberg Ticker: ILEGRNT)

1.2 CREATION OF MASTER LIST

1.2.1 Initial Universe

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

- Either their primary listing or their incorporation in Developed and Emerging Markets. Developed and Emerging Markets are defined by Indxx in its 'Country Classification and Investability Requirements' document.
- A minimum market capitalization of \$250 million.
- A 3-month average daily turnover greater than or equal to \$1 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 20% 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
- ADR
- GDR
- REIT

1.2.5 Share Classes

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

- If an ADR of the company exists, it is given preference over all other share classes.
- In all other cases, the most liquid share class is considered for inclusion in the portfolio.

1.3 SECURITY SELECTION PROCESS

The security selection process is based on extensive research performed by Indxx to determine each company in the Master List that has been derived after applying the above criteria.

Indxx analyzes each company in the Master List through the following research process:

- The first step in the process is to research each company's products, services, and any use or test cases related to blockchain technology.
- In the second step all the shortlisted companies in step 1 which have products and services in Blockchain are researched to check their revenue share through company's latest annual reports and press releases in the last one year and the companies which uses blockchain technology, their company's announcement on their website are checked. Any publicly available resources from the company, including investor presentations related to blockchain technology, are analyzed as well.
- The third step is to do secondary research through various news outlets and industry reports describing the extent of each company's exploration into blockchain technology. These sources can include details of blockchain technology's impact on a company, reports that describe a company's future plans on blockchain, and any use or test cases on blockchain or other relevant details relating to a company's exposure to blockchain technology.

Based on the results of this process, Indxx reviews the Master List of the securities and ranks the companies into a 3-tiered scoring system. The tiers are:

Tier 1 – Active Enablers

Tier 2 – Active Users

Tier 3 – Active Explorers

These tiers are comprised of companies in the following FactSet Sectors:

Commercial Services	Communication	Consumer Durables
Distribution Services	Electronic Technology	Energy Minerals
Finance	Health Services	Non-Energy Minerals
Producer Manufacturing	Retail Trade	Technology Services
Transportation	Utilities	

Companies are classified into these tiers based on how they are to benefit from blockchain technology, as detailed below:

Active Enablers – Active Enablers are the companies that

- Are actively developing blockchain technology products or systems for their own use internally, but also for sale and support for other companies
- Are direct service providers for blockchain technology

iii) Have business models that rely on delivering products or services that utilize blockchain technology

Active Enablers are companies that stand to benefit from blockchain technology via multiple avenues. These benefits include the efficiencies and revenues from their own development and adoption of blockchain technology and, also through the commercialization and support of blockchain related systems to other companies. Companies that fall under this category are assigned a score of 1 as they are most likely to benefit from blockchain technology.

Active Users – Active Users are companies that

- i) Are using blockchain technology which is generally supported by an Active Enabler
- ii) Have at least one use or test case of using blockchain technology

Active Users are companies that stand to benefit from the reduction in cost or improved efficiency from using blockchain technology. While potentially significant, the direct revenue impact may currently still be limited. Companies that fall under this category are assigned a score of 2.

Active Explorers – Active Explorers are companies that

- i) Have publicly disclosed that they are active in exploring the incorporation of blockchain technology into their business
- ii) Have a press release on their website or a news article stating that they have started working on the blockchain technology space

However, currently these companies do not have at least one-use case or test case on blockchain technology and are not currently directly incorporating blockchain technology into their business. Companies that fall under this category are assigned a score of 3.

Companies with a score of 1 or 2 (Active Enablers and Active Users), are included in the Index as they are actively investing resources into products or services that utilize blockchain technology. Companies that fall under Tier 3 are excluded from the Index, since they are not currently directly incorporating blockchain technology into their business.

1.4 FINAL COMPOSITION

From the Selection List:

- The top 100 companies by market capitalization will form the final index.
- If fewer than 100 companies qualify for inclusion in the Index, then all the constituents will be included in the Index.

1.5 WEIGHTING

The index is weighted as follows:

- Components within each tier are equally weighted. Each Tier is assigned an aggregate portfolio weight with Active Enablers receiving 50% and Active Users receiving 50%.
- If any of the company in the Active Enabler tier has a company level market cap of less than \$500 million as well as 20 days and 3-month ADTV of less than \$3 million, then the company's weight within the Index is capped at 0.50% at the time of rebalance.

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.

1.6.2 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 a semi-annual reconstitution and rebalancing schedule. The new portfolio becomes effective at the close of third Friday of March and September each year. This day is called the 'Effective Day.'
- The security selection and portfolio creation process start 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.

1.8 PERIODIC INDEX REVIEW

To aptly capture companies that are actively investing resources into products or services that utilize blockchain technology, the Selection Process will be reviewed and can be modified at the time of annual reconstitution.

1.9 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 info@indxx.com.

Learn more at www.indxx.com.