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INDXX REAL ASSET INCOME INDEX METHODOLOGY

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1. INDXX REAL ASSET INCOME INDEX

1.1 INDEX DESCRIPTION

The Indxx Real Asset Income Index tracks the performance of US-listed securities in the Real Asset space (Real Estate, Natural Resources and Infrastructure), as identified by Indxx, which have a history of dividend growth.

The index has a base date of December 31, 2013 with an initial value of 1,000.

The index is currently available in the following version:
- Price Return
- Total Return
- Net Total Return

1.2 CREATION OF MASTER LIST

1.2.1 Initial Universe

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

- Their listing in the United States.
- Market capitalization of at least USD $250 million.
- A 6-month average daily turnover greater than or equal to USD $500,000.
- Traded for at least 90% of the total trading days over the last 6 months on their respective stock exchanges.
- Must have paid dividends during the trailing 12 months prior to selection as well as during the trailing 12 months 3 years prior to selection.

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
- ADR

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

Based on extensive research, Indxx has finalized the following FactSet Industries to build the Investable Universe within the 3 identified Real Asset sub-themes:

Table: FactSet Industries

Sub-theme	FactSet Industries
Real Estate	Real Estate Development, REITs
Natural Resources	Oil Refining/Marketing, Oil & Gas Production, Chemicals: Specialty, Other Metals/Minerals, Precious Metals, Chemicals: Major Diversified, Steel, Agricultural Commodities/Milling, Pulp & Paper, Integrated Oil, Contract Drilling, Chemicals: Agricultural, Forest Products, Coal, Oilfield Services/Equipment
Infrastructure	Electric Utilities, Oil & Gas Pipelines, Major Telecommunications, Specialty Telecommunications, Wireless Telecommunications, Other Transportation, all MLPs

The following quality checks are applied to the securities that form a part of the 'Investable Universe':

- A Payout Ratio is calculated using the following formula, Payout Ratio = Dividend Per Share for the year divided by Earnings Per Share for the year, for a particular security. After calculating the Payout Ratio for all securities, the securities in the bottom 10 percentile are filtered out. Securities with a negative Payout Ratio not filtered out in the bottom 10 percentile will also be removed. Please note that a higher Payout Ratio is preferred over a lower Payout Ratio for a security.
- After the Payout Ratio check is performed, a Debt to EBITDA ratio is calculated using the formula, Debt divided by EBITDA for the year, for a particular security. After calculating the Debt to EBITDA ratio for all securities, the securities in the bottom 10 percentile are filtered out. Please note that a lower Debt to EBITDA is preferred over higher Debt to EBITDA for a security and over a negative Debt to EBITDA (caused by a negative EBITDA which implies operating losses).
- The next step involves calculating a 3-year Dividend Growth. Securities with negative dividend growth or dividend growth Undefined or Not Available are filtered out.
- The list of companies left after applying the above quality checks form a part of the 'Selection List'.

1.4 FINAL COMPOSITION

From the Selection List:

- The top 60 companies by dividend yield in each of the 3 Real Asset sub-themes are selected and are eligible for final selection
- In each sub-theme, out of the 60 securities selected in the above step, top 30 securities by 3-year dividend growth rate will form the final index. In total, the final composition will have 90 securities.
  - To avoid excessive exposure to MLPs, their number is restricted to 15 in the portfolio. If it exceeds then next best non MLP by dividend growth has been selected.
  - Dividend used for dividend growth rate calculation excludes special dividend paid.

1.5 WEIGHTING

The index is weighted as follows:

- Securities within the portfolio are equally weighted, i.e. each security has 1.11% weight in the final index
- The total weight of MLPs is capped at 20% of the overall portfolio. Any excess weight over 20% is proportionally distributed among other securities in the Infrastructure sub-theme.

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 3-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 quarterly rebalancing schedule. The new portfolio becomes effective at the close of last trading day of December each year. This day is called the 'Reconstitution Effective Day'. The rebalanced portfolio becomes effective at the close of last trading day of March, June and September each year, called the 'Rebalance 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 CORPORATE ACTIONS

Indxx standard Corporate Actions for equal weighted indices apply. The corporate action guidebook is present in the Announcements section of our website, under 'Index Documents'.

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