

InfraCap REIT Preferred Stock Index

Methodology

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InfraCap REIT Preferred Stock Index

Index Description

The InfraCap REIT Preferred Stock Index is a modified market cap weighted index designed to provide diversified exposure to high yielding liquid preferred securities issued by Real Estate Investment Trusts listed in the US.

Selection Pool

Amount Issued

The minimum amount issued should be at least US\$ 75 million

Liquidity

The average monthly shares traded over the past six months should be at least 250,000 shares per month

Exchange

For index purposes, the preferred security should have been listed on any of the US stock exchanges

Security Type

Preferred Securities

Sector

Preferred Securities must be issued by Real Estate Investment Trusts in order to be eligible for inclusion in the index

Yield to Worst

The minimum yield to worst should be at least 3%

Convertible Issues

Securities which have a mandatory conversion provision are excluded

Index Creation Process

A master list of the securities is initially prepared from the applicable Index Universe by applying the criteria of amount issued and sector. All preferred securities issued by REITs, with i) amount issued below US\$ 75 million, and ii) mandatory conversion provisions, are excluded. The remaining companies are screened for turnover and securities with a 6-month average monthly turnover of less than 250,000 shares are eliminated to obtain a 'Selection List'.

The Selection List is screened to exclude those securities which have a yield to worst less than 3%. All remaining securities are chosen as index constituents. All index constituents in the portfolios are weighted based on their modified market capitalization.

Weighting

All constituents in the portfolios are weighted based on their modified market capitalization subject to the following caps-

- 1) No single issuer can have more than 10% exposure in the index, and
- 2) No REIT sub sector can have more than 30% exposure in the index, with the exception of Diversified REIT which can have up to 35% weight in the index.

The excess weight is proportionately allocated to the remaining constituents.

Reconstitution and Rebalancing Rules

The index follows Semi-Annual reconstitution and rebalancing.

- The index follows a Semi-Annual reconstitution. New portfolio becomes effective at the close of last US trading day of March and September each year. This day is called the "Effective Day".
- The security selection and portfolio creation process starts on the Friday at least a month before the 'Effective Date'. This day is called the "Selection Date". The final portfolio constituents are shortlisted from a selection pool of all eligible securities selected on the Selection Date.
- Weights are calculated five trading days prior to the Effective Day. Index Shares are frozen using weights as of this day.

Corporate Actions

The following corporate actions (such as stock splits, special dividends, spin-offs and rights offerings) are applied to Price Return indices on the ex-date or earlier as decided by the Index Committee.

Corporate Action	Description	Treatment	Adjustment
Addition and deletion	In case a constituent is added, removed or replaced with another constituent in the Index.	In case of addition and deletion from an index, the divisor is adjusted to reflect the change in market value.	Divisor Adjustment
Stock Split	A stock split is a decision by the company's board of directors to increase the number of shares that are outstanding by issuing more shares to current shareholders.	Stock splits will be adjusted for on the ex- date. The number of shares will increase times the adjustment factor for the split and the stock price will be reduced since the number of shares outstanding has increased.	No divisor adjustment
Delisting	Delisting refers to the practice of removing the stock of a company from a stock exchange so that investors can no longer trade shares of the stock on that exchange.	The security would be removed from the index, and the invested amount in the delisted security will be reinvested into the index.	Divisor Adjustment
Issuer Bankruptcy	Bankruptcy is a legal proceeding involving a person or business that is unable to repay outstanding debts.	The preferred security of the issuer would be removed from the index, and the invested amount in the acquired security will be reinvested into the index.	Divisor Adjustment
Temporary Delisting / Prolonged Trading Suspension	A temporary delisting/trading suspension occurs when a security stops trading on the stock exchange for a certain time period. This usually occurs when a publicly-traded company is going to release significant news about itself.	The security would be removed from the index based on the Index Committee's decision and the invested amount in the acquired security will be reinvested into the index.	Divisor Adjustment
Dividends	Dividends are payments made by a corporation to its shareholder members. It is the portion of corporate profits paid out to shareholders.	Dividend payments (both ordinary and special) will be reinvested in the total return index on the ex-dividend date. This means that going forward this additional money will be used to buy additional shares in the future.	Stock Adjustment

Corporate Action	Description	Treatment	Adjustment
Additional Issuance of Shares	Additional issuance refers to the process of providing new shares to current/existing shareholders in a company, based upon the number of shares owned by them.	As the ratio of number of shares held by each shareholder will remain constant, the additional issuance will not impact the index and the new number of shares will be adjusted in the subsequent reconstitution.	No Adjustment
Call	Certain preferred securities have an in built call option, wherein the issuer has the right to call the security at a predefined price, after a pre decided date. All terms pertaining to the call provisions, such as call price, callable date, etc., defined in the prospectus of the preferred security.	If an issuer calls a constituent, it is removed from the index. However, in case the issuer chooses not to call the security, no change is made to the index.	Divisor Adjustment
Partial Call	In case of a partial call, the issuer may choose to redeem only a portion of the outstanding preferred stock.	On the redemption date, the number of shares will be to account for the number of shares called and the price of the security will be adjusted to the call price.	Divisor Adjustment
Conversion	Certain preferred securities have an in built conversion provision, wherein the issuer has an option to convert their outstanding preferred shares into common shares. All terms pertaining to the conversion provisions, such as the conversion rate etc., are defined in the prospectus of the preferred security.	If the issuer chooses to convert, the security will be removed from the index. However, in case the issuer chooses not to convert the security, no change is made to the index.	Divisor Adjustment

Index Policy

Index Committee Policy

The Index Committee is responsible for setting policy, determining index composition, and administering the indices in accordance with the Indxx index methodology. The Index Committee reserves the right to use qualitative judgment to include, exclude, adjust, or postpone the inclusion of a stock. Continued index membership of a constituent is not necessarily subject to the guidelines provided in each of the Indxx index methodology. A stock may be considered for exclusion by the Index Committee on the basis of corporate governance, accounting policies, lack of transparency and lack of representation, despite meeting all the criteria provided in each of the Indxx index methodology.

Announcements

Announcements of additions and deletions of constituents, due to various corporate actions mentioned above, in the middle of the year will be decided by the Index Committee. This will be communicated to the client well ahead of time. Also important news items as well as corporate actions with respect to all the constituents of the index will be informed to the client on a weekly basis.

Holiday Schedule

The index is calculated when the U.S. equity markets are open. In situations where an exchange is forced to close early due to unforeseen events, the index will be calculated based on the closing prices published by the exchange, or if no closing price is available, the last regular trade reported for each stock before the exchange closed.

Disclaimer

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