
Indxx SuperDividend® U.S. Low Volatility Index

Methodology

February, 2016

INDXX, LLC has been granted a license by Global X Management Company LLC to use SuperDividend®. SuperDividend® is a trademark of Global X Management Company LLC.

Table of Contents

Index Description.....3

Creation of Master list.....3

Security Selection.....4

Weighting.....4

Buffer Rules.....4

Multiple Share Classes.....5

Reconstitution and Rebalancing Rules.....5

Corporate Actions.....6

Total Return Indices.....8

Index Policy8

Disclaimer.....9

Indxx SuperDividend® U.S. Low Volatility Index

Index Description

The Indxx SuperDividend® U.S. Low Volatility Index is a maximum 50-stock equal weighted index designed to measure the market performance of companies in the United States that have a high dividend yield and low beta.

Creation of Master list

Investable Universe

- Minimum market capitalization is set at \$500 million.
- Minimum average daily turnover for 6 months has been set at \$1 million.
- The stock should have traded for at least 90% of the total trading days over the last 6 months in its respective stock exchange.
- 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 (e.g., IPOs), such a security must have started trading at least 3 months before the start of the Reconstitution/Rebalancing Process, and should have traded on 90% of the eligible trading days for the past 3 months.

Free Float

Public float or free float should be at least 10% of the total shares outstanding for each member.

Geographical Focus

The security should be incorporated in the US. For those securities where the company is incorporated in other countries to avail benefits (such as tax or legal benefits etc.), the country of primary listing will be considered. The final decision of assigning a country will be taken by Index Review Committee.

Beta

Beta of each constituent with respect to its local country benchmark, should be less than or equal to 0.85

Maximum Price

Securities trading at a price of \$10,000 or above are ineligible for inclusion in the index. This rule is not applicable for existing constituents. Existing constituents would remain in the Index irrespective of the stock price.

Security Type

Common Stocks, Master Limited Partnership and REITs are considered while BDCs will not be considered for inclusion in the portfolio.

Security Selection

- All companies forming a part of the investible universe are considered for evaluation.
- The 12 month dividend yield for the remaining companies is calculated. All companies with dividend yields below 1% or above 20% are then removed to obtain a 'Selection List'.
- The Selection List is ranked according to dividend yield. Each Constituent should have paid dividends consistently for the last two years and the current year dividend should be greater than or equal to 50% of the previous year. Companies which do not display consistent dividends are removed.
- Public float for the remaining companies is checked. Companies, which do not have at least 10% of public float, are removed to arrive at the 'Selection pool'.
- The selection pool is ranked by dividend yield and top 200 companies are selected. To determine the initial composition, the companies in the selection pool are ranked in descending order according to their dividend yield. The 50 companies with the largest dividend yield on that day are chosen as index constituents.
- All constituents in the portfolios are equally weighted. Additionally, no one particular sector can have a weight greater than 25% and MLPs should not constitute more than 20% of the index.
- On the annual reconstitution day, existing index constituents, which are not part of the top 200 companies, will be replaced by the company with the largest dividend yield that is currently not an index member, subject to sector and security cap.
- Dividend forecast for selected constituents should be stable, i.e. there should be no official announcement as of the selection day, that dividend payments are likely to be cancelled or significantly reduced in the future.

Weighting

All constituents in the portfolios are equally weighted. Additionally, no one particular sector can have a weight greater than 25% and MLPs should not constitute more than 20% of the index.

Buffer Rules

Buffer Rules are employed to reduce Portfolio Turnover. The following Buffer Rules are applicable:

Market Capitalization

An existing index constituent shall continue to remain in the index even if its Market Capitalization doesn't meet the previously defined criteria limit, but remains within +/- 20% of this limit.

Liquidity

An existing index constituent shall continue to remain in the index even if its Liquidity is below the previously defined Average Daily Traded Value limit, but remains within +/- 30% of this limit.

Multiple Share Classes

In case a multiple share class is available, the most liquid share class will be considered for inclusion in the index.

Reconstitution and Rebalancing Rules

Annual Reconstitution

- The index follows an annual reconstitution. The new portfolio becomes effective at the close of business on last trading day of February each year. This day is called the 'Effective Day'.
- The security selection and portfolio creation process starts 12 working days before the 'Freeze Date', 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 5 working days prior to the Effective Day. Index Shares are frozen using weights as of this day.

Quarterly Review

Apart from the reconstitution, at the end of every quarter (five business days before the last trading day in May, August and November), the index components are screened for dividend cuts or an overall negative outlook concerning the companies' dividend policy. A Company excluded during these quarterly reviews will be replaced by a company in the top 200 that is currently not an index member. This company will be given the same weight as the company that is deleted, calculated as on the trading day before the rebalancing takes place. In case more than one company is deleted, the cumulative weight of the companies is calculated and distributed equally among the replacements.

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
Company addition and deletion	In case a constituent is added, removed or replaced with another constituent in the Index.	Replacement: The new company will be added to the index using the weight of the company being removed.	Index Adjustment
		Addition/ Deletion only	Index 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. After a split, the stock price will be reduced since the number of shares outstanding has increased.	Stock splits will be adjusted for on the ex- date. The number of shares will increase times the adjustment factor for the split.	No Index adjustment is required since the share count and price changes are offsetting.
Rights Issue	Rights Issue gives existing shareholders the right to purchase a proportional number of new shares at a discount to the market price on a stated future date. The rights issued to a shareholder have a value, thus compensating current shareholders for the future dilution of their existing shares' value.	The company remains in the Index at the same weight. The following price adjustment is made: Price of the Parent Company - (the Price of Rights Offering/Rights Ratio). The Index committee will decide whether to participate in the rights issue or not. If the subscription price is greater than or equal to the stock closing price, Indxx would not participate in the rights issue.	No Index Adjustment
Spin-Off	Spin off is the creation of an independent company through the sale or distribution of new shares of an existing business/division of a parent company.	The company remains in the Index at the same weight. The following price adjustment is made: Price of the Parent Company minus (the Price of Spin-off company/Share Exchange Ratio).	No Index 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.	Index Adjustment
Acquisition	A corporate action in which a company buys most, if not all, of the target company's ownership stakes in order to assume control of the target firm.	The Target company would be removed from the index, and the invested amount in the acquired security will be reinvested into the index.	Index Adjustment

Corporate Action	Description	Treatment	Adjustment
Merger	Merger is the combination of two or more companies, generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock.	<p>The Target company is removed from the Index.</p> <p>The Target company is replaced with the Surviving company.</p>	<p>Index Adjustment</p> <p>Index Adjustment</p>
Bankruptcy	Bankruptcy is a legal proceeding involving a person or business that is unable to repay outstanding debts.	The security would be removed from the index, and the invested amount in the acquired security will be reinvested into the index.	Index 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.	Index Adjustment
Special Dividends	When a company pays a special dividend, the share price of the company declines by the amount of the dividend.	The respective stock is adjusted to reflect a fall in the price of the company paying the special dividend.	No Index adjustment is required since the share count and price changes are offsetting.
Bonus Issue of Shares	A bonus share is a free share of stock given to current/existing shareholders in a company, based upon the number of shares owned by them.	The issue of bonus shares increases the total number of shares issued and owned, it does not increase the value of the company. The ratio of number of shares held by each shareholder remains constant.	No Index adjustment is required since the share count and price changes are offsetting.

Total Return Indices

Total Return Index

In addition to all the above mentioned corporate actions, ordinary cash dividends will be applied on the ex-date for calculating TR Indices.

Adjustment in the Index

All dividend payments will be reinvested into the respective stock, by adjusting the shares in the total return index on the ex-dividend date.

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 every day except Saturdays and Sundays. 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

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.