

# INDEX GUIDELINE

*SOLACTIVE LLOYD GROWTH EQUITY INDEX*

Version 1.0

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## INTRODUCTION

This document (the "**GUIDELINE**") is to be used as a guideline with regard to the composition, calculation and maintenance of the Solactive Lloyd Growth Equity Index (the "**INDEX**"). Any amendments to the rules made to the GUIDELINE are approved by the OVERSIGHT COMMITTEE specified in Section 5.5. The INDEX is owned, calculated, administered and published by Solactive AG ("**SOLACTIVE**") assuming the role as administrator (the "**INDEX ADMINISTRATOR**") under the Regulation (EU) 2016/1011 (the "**BENCHMARK REGULATION**" or "**BMR**"). The name "Solactive" is trademarked.

*The text uses defined terms which are formatted with "SMALL CAPS". Such Terms shall have the meaning assigned to them as specified in Section 6 (Definitions).*

**The GUIDELINE and the policies and methodology documents referenced herein contain the underlying principles and rules regarding the structure and operation of the INDEX. SOLACTIVE does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the INDEX nor the level of the INDEX at any certain point in time nor in any other respect. SOLACTIVE strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for SOLACTIVE – irrespective of possible obligations to issuers – to advise third parties, including investors and/or financial intermediaries, of any errors in the INDEX. The publication of the INDEX by SOLACTIVE does not constitute a recommendation for capital investment and does not contain any assurance or opinion of SOLACTIVE regarding a possible investment in a financial instrument based on this INDEX.**



# 1. INDEX SPECIFICATIONS

## 1.1. SCOPE OF THE INDEX

Category	Description
Asset Class	Equity
Strategy	Representation of securities with strong and superior growth of their earning power trading at a price that provides a margin of safety over their intrinsic value.
Regional Allocation	Global Market
Rebalancing Fee	
Rebalancing Frequency	Monthly

## 1.2. IDENTIFIERS AND PUBLICATION

The INDEX is published under the following identifiers:

Name	ISIN	Currency	Type	RIC	BBG ticker
Solactive Lloyd Growth Equity Index PR	DE000SLOK302	USD	PR	SGEPPRP	SGEPPRP
Solactive Lloyd Growth Equity Index CNTR	DE000SLOK310	USD	CNTR	SGEPNTRC	SGEPNTRC
Solactive Lloyd Growth Equity Index TR	DE000SLOK328	USD	TR	SGEPTRT	SGEPTRT

\*[PR][NTR][GTR][AR] means that the Index is calculated as price return, net total return, gross total return Index as described in the Equity Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/equity-index-methodology/>

\*\*CNTR indicates that the withholding tax rate for the Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States is set to 15% in this net total return version. These tax rates may be different than those listed on the Solactive website: <https://www.solactive.com/>

The INDEX is published on the website of the INDEX ADMINISTRATOR ([www.solactive.com](http://www.solactive.com)) and is, in addition, available via the price marketing services of Boerse Stuttgart GmbH and may be distributed to all of its affiliated vendors. Each vendor decides on an individual basis as to whether it will distribute or display the INDEX via its information systems.

Any publication in relation to the INDEX (e.g. notices, amendments to the GUIDELINE) will be available at the website of the INDEX ADMINISTRATOR: <https://www.solactive.com/news/announcements/>.



### 1.3. INITIAL LEVEL OF THE INDEX

The initial level of the INDEX on the 06/02/2024, the START DATE, is 1000. Historical values from the 19/02/2024, the LIVE DATE, will be recorded in accordance with Article 8 of the BMR.

### 1.4. PRICES AND CALCULATION FREQUENCY

The level of the INDEX is calculated on each CALCULATION DAY from 1:00 a.m. to 10:50 p.m. CET based on the TRADING PRICES on the EXCHANGES on which the INDEX COMPONENTS are listed. TRADING PRICES of INDEX COMPONENTS not listed in the INDEX CURRENCY are converted using the current Intercontinental Exchange (ICE) spot foreign exchange rate. Should there be no current TRADING PRICE for an INDEX COMPONENT, the later of: (i) the most recent CLOSING PRICE; or (ii) the last available TRADING PRICE for the preceding TRADING DAY is used in the calculation.

In addition to the intraday calculation a closing level of the INDEX for each CALCULATION DAY is also calculated. This closing level is based on the CLOSING PRICES for the INDEX COMPONENTS on the respective EXCHANGES on which the INDEX COMPONENTS are listed. The CLOSING PRICES of INDEX COMPONENTS not listed in the INDEX CURRENCY are converted using the 04:00 p.m. London time rates provided by WM/ Refinitiv (the "WM/ Refinitiv Rate"). If there is no 04:00 p.m. London time WM/ Refinitiv Rate for the relevant CALCULATION DAY, the last available 04:00 p.m. London time WM/ Refinitiv Rate will be used for the closing level calculation.

### 1.5. LICENSING

Licenses to use the INDEX as the underlying value for financial instruments, investment funds and financial contracts may be issued to stock exchanges, banks, financial services providers and investment houses by SOLACTIVE.



## 2. INDEX SELECTION

On each SELECTION DAY, the SELECTION PARTY will revise the composition of the INDEX.

In a first step, the SELECTION PARTY determines the INDEX UNIVERSE in accordance with Section 2.1. The INDEX UNIVERSE comprises all those financial instruments which fulfill the INDEX UNIVERSE REQUIREMENTS (as specified in Section 2.1) and will constitute a starting pool from which the components of the INDEX will be selected. Based on this INDEX UNIVERSE, the new composition of the INDEX will be determined by applying the rules outlined in Section 2.2.

Each new INDEX COMPONENT will be assigned a weight as described in Section 2.3.

### 2.1. INDEX UNIVERSE REQUIREMENTS

The INDEX UNIVERSE is comprised of all financial instruments which fulfill the below requirements on the RECONSTITUTION DAY for an ordinary rebalance:

(the "**INDEX UNIVERSE REQUIREMENTS**"):

- The security must be a common stock listed on a regulated exchange.
- Securities are excluded if they fall into the following categories:
  - o Financial sectors, including Bank and Insurance.
  - o Countries of domicile classified as EMERGING MARKETS.
- The total fiscal year revenue over the five years must be equal to or larger than USD 10 million.
- The six-month average of weekly MARKET CAPITALIZATION must be equal to or larger than USD 3000 million.
- Profitability screen criteria:
  - o The median of fiscal year Operating Margin over the five to ten years must be larger than 7%.
  - o The minimum of the fiscal year EBITDA over the last five years must be larger than 0.
  - o The average of the Return on Investment (ROI) over the five to ten years must be larger than 10%. In case of missing ROI, the average of the Return on Asset over the five to ten years must be larger than 7%.
- Balance Sheet screen criteria:
  - o The long-term Debt over EBITDA (excluding operating lease activities) must be less than 2, except for DEFENSIVE BUSINESSES.
- Growth screen criteria:



- The average annual Cash Flow per Share growth over ten years must be greater than 0.

Any excluded security can be eligible for the inclusion in case of the following factors by the APPROVAL COMMITTEE within the SELECTION PARTY:

- Missing or distorted accounting data that needs adjustment.
- Large investments in new/growing markets, that makes the reported profit more representative of the underlying profitability of the core business.
- DEFENSIVE BUSINESSES that may carry high debt levels.
- Historical reported numbers that is non-representative of the current situation.
- Securities within the top quartile of Return on Tangible Equity, Solvency Ratio, and Credit Rating if they are in Financial sectors, including Bank and Insurance.

The INDEX ADMINISTRATOR has outsourced the determination of the INDEX UNIVERSE to the SELECTION PARTY. Such outsourcing has been made in accordance with the requirements of the BMR (Article 10 BMR). Any discretionary decision of the SELECTION PARTY will be made by APPROVAL COMMITTEE in accordance with the specifications regarding the exercise of discretion or expert judgement established by the INDEX ADMINISTRATOR.

## 2.2. SELECTION OF THE INDEX COMPONENTS

Based on the INDEX UNIVERSE, the initial composition of the INDEX is determined on the SELECTION DAY in accordance with the following rules:

(the "**INDEX COMPONENT REQUIREMENTS**")

On the RECONSTITUTION DAY for an ordinary rebalance:

### I. Earning Power Risk Score

Using the components of the INDEX UNIVERSE, the COMBINED EARNING POWER RISK SCORE is calculated as the average of the following risk scores:

- BUSINESS STABILITY RISK SCORE. Initially, each INDEX component receives a score below 3 if the Free Cash Flow Volatility exceeds the average of the INDEX UNIVERSE Free Cash Flow Volatility. Subsequently, the APPROVAL COMMITTEE within the SELECTION PARTY considers factors such as the lumpiness of ordering for the final product, cyclicity, and seasonality in conjunction with the initial score to calculate the final BUSINESS STABILITY RISK SCORE within the range of 1 to 5.



- **BINARY RISK SCORE.** Initially each INDEX component receives a score below 3 if its industry falls within the following list, otherwise it receives a score of 3:

Industry
Biotechnology, Casinos /Gaming, Precious Metals, Other Metals /Minerals, Oil & Gas Production, Semiconductors, Pharmaceuticals: Major, Electric Utilities, Water Utilities, Medical Specialties

Subsequently, the APPROVAL COMMITTEE within the SELECTION PARTY assesses narrow Products / market exposure, material exposure to tail risk, and the customers concentration in conjunction with the initial score to calculate the final BINARY RISK SCORE within the range of 1 to 5.

- **ACCOUNTING RISK SCORE.** Initially each INDEX component receives a score below 3 if its domicile country is not within the US, Western European countries, and Australia / New Zealand. The APPROVAL COMMITTEE within the SELECTION PARTY then evaluates factors such as the proportion of accruals compared to cash accounting, identified aggressive accounting practices, and disclosure level, considering the initial scores to determine the final ACCOUNTING RISK SCORE within the range of 1 to 5.
- **DISRUPTION AND COMPETITIVE POSITION RISK SCORE.** Each INDEX component receives a score above 3 if it has strong protection against outsider's entry and incumbent expansion, and a low chance of emerging competitors and alternative products. Conversely, it receives a score below 3 if it has weak protection against outsider's entry and incumbent expansion, and a high chance of emerging either competitors or alternative products.
- **PRODUCTS / SERVICES CRITICALITY RISK SCORE.** Initially each INDEX component receives a score below and above 3 if its industry falls within the following categories, otherwise it receives a score of 3:

score	Industry
Below 3	Beverages: Non-Alcoholic, Beverages: Alcoholic, Movies/Entertainment, Hotels/Resorts/Cruiselines, Restaurants, Other Consumer Services, Media Conglomerates, Apparel/Footwear
Above 3	Chemicals: Major Diversified, Chemicals: Specialty, Chemicals: Agricultural, Hospital/Nursing Management, Biotechnology, Pharmaceuticals: Major, Semiconductors, Medical Specialties





Subsequently, using the initial score, the APPROVAL COMMITTEE within the SELECTION PARTY assesses factors such as the degree of commoditization, level of criticality, and ease of replication for each security to calculate the final PRODUCTS / SERVICES CRITICALITY RISK SCORE within the range of 1 to 5.

Securities with a COMBINED EARNING POWER RISK SCORE above 3 qualify for inclusion.

On any SELECTION DAY for an ordinary rebalance:

## II. Final Score

Using the remaining securities from the previous step on the RECONSTITUTION DAY, the COMBINED RATIO is calculated as the following formula:

$$\text{Combined Ratio} = 0.4 * (\text{Margin of Safety}) + 0.4 * (\text{4M Score}) + 0.2 * (\text{Risk Metric})$$

- MARGIN OF SAFETY. It is calculated based on the normalized Free Cash Flow over a period of five to ten years, which has been adjusted and compounded to account for growth over time. Each INDEX component receives a score within the range of 1 to 5 as follows:

Score	Margin of Safety
5	Larger than 25%
4	from 10% to 25%
3	from -10% to 10%
2	from -20% to -10%
1	from -35% to -20%
0.1	Less than -35%

- 4M SCORE. It is calculated as the average of the following scores:
  - MACRO SCORE. Initially, each INDEX component receives a score below 3 if its Revenue cyclicality significantly correlates with the general economy as measured by GDP, and its earning is significantly affected by general economic downturns; otherwise, it receives a score above 3. Subsequently, the APPROVAL COMMITTEE within the SELECTION PARTY considers other macroeconomic factors such as the geographic and sector diversification, the exposure to countries and currencies prone to macroeconomic disruptions, or probability of being affected by unpredictable regulatory or political decisions, in conjunction with the initial score, to calculate the final MACRO SCORE within the range of 1 to 5.
  - MARKET SCORE. Initially each INDEX component assigned a score above 3 if its anticipated long-term market growth is expected to outperform the overall economy. Conversely, it receives a score below 3 if its projected long-term market growth underperforms overall economy. A score of 3 is given if it is expected to grow in line with the overall economy. Subsequently, the APPROVAL COMMITTEE within the SELECTION PARTY assesses market concentration, market shares trends,



the strategy, positioning and rationality of market leaders and the profitability trends of the entire industry considering the initial score to calculate the final MARKET SCORE within the range of 1 to 5.

- MOAT SCORE. Each INDEX component is initially awarded a score above 3 if it possesses significant scale competitive advantages; otherwise, it receives a score below 3. The APPROVAL COMMITTEE within the SELECTION PARTY then evaluates factors such as the network effects, supply-side advantages (know-how, unique asset or technology, ...), and demand-side advantage (customers loyalty to brand, high switch cost for customers, entrenched relation with customers...), taking into account the initial scores, to determine the final MOAT SCORE within the range of 1 to 5.
- MANAGEMENT SCORE. Initially each INDEX component starts with a score above 3 if the management demonstrated value creation through external acquisitions, organic investments, and returning capital via dividend distribution or buyback. Conversely, it receives a score below 3 if the management engaged in value destruction. A score of 3 is assigned if there was neither clear value creation nor destruction from management capital allocation policy. Subsequently, the APPROVAL COMMITTEE within the SELECTION PARTY considers additional factors such as the competence, integrity, and remuneration KPIs in combination with the initial score to determine the final MANAGEMENT SCORE within the range of 1 to 5.
- RISK METRIC. It is calculated as the average of the following items:

- BETA. Each INDEX component receives a score within the range of 1 to 5 as follows:

Score	Beta
1	Larger than 1.4
2	from 1.15 to 1.4
3	from 0.9 to 1.15
4	from 0.75 to 0.9
5	Less than 0.75

- BALANCE SHEET SCORE. Initially each INDEX component receives a score within the range of 1 to 5 based on the calculation of LEVERAGE (Net Debt / EBITDA). A company with no leverage receives a score of 5, while a company with leverage lower than the industry average receives 4. If a company's leverage matches the industry average, it is given a score of 3. Otherwise, it receives a score below 3. Subsequently, the APPROVAL COMMITTEE within the SELECTION PARTY considers the stability of business and the company's indebtedness in comparison to its peers to determine the final BALANCE SHEET SCORE.



Ultimately, securities that meet the following criteria are eligible for inclusion:

- A COMBINED RATIO equal to or larger than 3.
- A MARGIN OF SAFETY equal to or larger than 20%.
- Double-digit growth in Free Cash Flow over a period of seven to ten years or high single-digit growth over more than ten years.

The INDEX ADMINISTRATOR has outsourced the selection of the INDEX COMPONENTS to the SELECTION PARTY. Such outsourcing has been made in accordance with the requirements of the BMR (Article 10 BMR. Any discretionary decision of the SELECTION PARTY will be made by APPROVAL COMMITTEE in accordance with the specifications regarding the exercise of discretion or expert judgement established by the INDEX ADMINISTRATOR.

## 2.3. WEIGHTING OF THE INDEX COMPONENTS

On the inception day each INDEX COMPONENT is assigned a weight by the APPROVAL COMMITTEE according to the following rules:

Securities with a COMBINED RATIO larger than 4 and a MARGIN OF SAFETY larger than 30%, are eligible to the HIGH WEIGHT SECURITIES SILVER and receive a weight between 3% and 7% by the APPROVAL COMMITTEE.

Securities with a COMBINED RATIO equal to 3 and a MARGIN OF SAFETY equal to 20%, are considered the LOW WEIGHT SECURITIES SILVER and receive a weight between 1% and 4% by the APPROVAL COMMITTEE.

Additionally, the following requirements must be met:

- Individual security weights are capped at 10%
- The sum of securities weights which exceed 5% is capped at 40%

Furthermore, a 4% weight is assigned to the cash pocket.

On each following SELECTION DAY each INDEX component is assigned a weight by the APPROVAL COMMITTEE subject to the following rules:

Any INDEX component that has not been a current INDEX component and meets the requirement to be in the HIGH WEIGHT SECURITIES SILVER or LOW WEIGHT SECURITIES SILVER groups, receive weights according to their group by the APPROVAL COMMITTEE.

Current INDEX component weights remain unchanged if they continue to meet the criteria for being in the HIGH WEIGHT SECURITIES SILVER or LOW WEIGHT SECURITIES SILVER groups.

If the COMBINED RATIO of any Current INDEX component within the HIGH WEIGHT SECURITIES SILVER falls below 3.5 and its MARGIN OF SAFETY drops below 10%, it will be downgraded to LOW WEIGHT SECURITIES



SILVER with a weight ranging from 1% to 4% by the APPROVAL COMMITTEE. Conversely, If the COMBINED RATIO of any Current INDEX component within the LOW WEIGHT SECURITIES SILVER rises above 4 and its MARGIN OF SAFETY increases above 30%, it will be upgraded to the HIGH WEIGHT SECURITIES SILVER with a weight between 3% and 7% by the APPROVAL COMMITTEE.

Any current INDEX component with a COMBINED RATIO below 2.5 will be excluded.

At the same time, the below requirements should be maintained:

- Individual security Weights are capped at 10%
- The sum of securities weights which exceed 5% is capped at 40%

Additionally, changes in weights for added INDEX components, deleted INDEX components, and changes within the INDEX components will be balanced with the cash pocket. If more securities become eligible for index inclusion or join the HIGH WEIGHT SECURITIES SILVER group, the cash level will decrease, and vice versa.

The INDEX ADMINISTRATOR has outsourced the weighting of the INDEX COMPONENTS to the SELECTION PARTY. Such outsourcing has been made in accordance with the requirements of the BMR (Article 10 BMR. Any discretionary decision of the SELECTION PARTY will be made by APPROVAL COMMITTEE in accordance with the specifications regarding the exercise of discretion or expert judgement established by the INDEX ADMINISTRATOR.

## 3. REBALANCE

### 3.1. ORDINARY REBALANCE

In order to reflect the new selection of the INDEX COMPONENTS determined on the SELECTION DAY (in accordance with Section 2.1 and 2.2) the INDEX is adjusted on the REBALANCE DAY after CLOSE OF BUSINESS.

This is carried out by implementing the shares as determined on the FIXING DAY based on the weights calculated on the SELECTION DAY.

For more information on the rebalance procedure please refer to the Equity Index Methodology, which is incorporated by reference and available on the Solactive website: [https://www.solactive.com/documents/equity-index-methodology/.](https://www.solactive.com/documents/equity-index-methodology/)

SOLACTIVE will publish any changes made to the INDEX COMPONENTS with sufficient notice before the REBALANCE DAY on the SOLACTIVE website under the section "Announcement", which is available at <https://www.solactive.com/news/announcements/>

In the event that the SELECTION PARTY is unable to compute or communicate with the INDEX ADMINISTRATOR regarding the selection of the INDEX COMPONENTS and their weights in respect of a SELECTION DAY, no rebalancing is performed at the immediately preceding REBALANCE DAY. If there are six consecutive



REBALANCE DAY without rebalancing due to the SELECTION PARTY'S inability to compute or communicate with the INDEX ADMINISTRATOR regarding the selection of the INDEX COMPONENTS and their weights for a SELECTION DAY, the INDEX becomes eligible for termination.

### 3.2. EXTRAORDINARY REBALANCE

In addition to the ordinary rebalance, the INDEX is also rebalanced extraordinarily. These adjustments take place outside the rebalancing schedule and follow different rules than the ordinary rebalances. The extraordinary rebalance is triggered by big movement in the Market driven by anomaly event like Covid period, and significant price jump or drop for the INDEX Compositions due to special events and news.



## 4. CALCULATION OF THE INDEX

### 4.1. INDEX FORMULA

The INDEX is calculated as a price return, net total return, and gross total return Index.

The calculation is performed according to the Equity Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/equity-index-methodology/>. The divisor index formula stipulates that the level of the INDEX changes based on the change of the prices of its INDEX COMPONENTS taking into account their weight in the INDEX and any currency conversion in case the price of an INDEX COMPONENT is quoted in a currency other than the INDEX CURRENCY.

Any distributions except dividends are reinvested across the entire basket of INDEX COMPONENTS by means of a divisor at the opening of the effective date (the so-called ex-date) of the payment of those distribution. Any dividends payment remains as a cash within the INDEX COMPONENTS.

A more detailed description of the mechanics of the index calculation formula can be found in the Equity Index Methodology under Section 1.2.

### 4.2. ACCURACY

The level of the INDEX will be rounded to two decimal places. Divisors will be rounded to six decimal places. TRADING PRICES and foreign exchange rates will be rounded to six decimal places.

### 4.3. ADJUSTMENTS

Under certain circumstances, an adjustment of the INDEX may be necessary between two regular REBALANCE DAYS. Such adjustment has to be made if a corporate action (as specified in Section 4.4 below) in relation of an INDEX COMPONENT occurs. Such adjustment may have to be done in relation to an INDEX COMPONENT and/or may also affect the number of INDEX COMPONENTS and/or the weighting of certain INDEX COMPONENTS and will be made in compliance with the Solactive Equity Index Methodology, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/equity-index-methodology/>.

SOLACTIVE will announce the INDEX adjustment giving a notice period of at least two TRADING DAYS (with respect to the affected INDEX COMPONENT) on the SOLACTIVE website under the Section "Announcements", which is available at <https://www.solactive.com/news/announcements/>. The INDEX adjustments will be implemented on the effective day specified in the respective notice.



## 4.4. CORPORATE ACTIONS

As part of the INDEX maintenance SOLACTIVE will consider various events – also referred to as corporate actions – which result in an adjustment to the INDEX between two regular REBALANCE DAYS. Such events have a material impact on the price, weighting or overall integrity of INDEX COMPONENTS. Therefore, they need to be accounted for in the calculation of the INDEX. Corporate actions will be implemented from the cum-day to the ex-day of the corporate action, so that the adjustment to the INDEX coincides with the occurrence of the price effect of the respective corporate action.

Adjustments to the INDEX to account for corporate actions will be made in compliance with the Equity Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/equity-index-methodology/>. This document contains for each corporate action a brief definition and specifies the relevant adjustment to the INDEX variables.

While SOLACTIVE aims at creating and maintaining its methodology for treatment of corporate actions as generic and transparent as possible and in line with regulatory requirements, it retains the right in accordance with the Equity Index Methodology to deviate from these standard procedures in case of any unusual or complex corporate action or if such a deviation is made to preserve the comparability and representativeness of the INDEX over time.

SOLACTIVE considers following, but not conclusive, list of corporate actions as relevant for INDEX maintenance:

- > Cash Distributions (e.g. payment of a dividend)
- > Stock distributions (e.g. payment of a dividend in form of additional shares)
- > Stock distributions of another company (e.g. payment of a dividend in form of additional shares of another company (e.g. of a subsidiary))
- > Share splits (company's present shares are divided and therefore multiplied by a given factor)
- > Reverse splits (company's present shares are effectively merged)
- > Capital increases (such as issuing additional shares)
- > Share repurchases (a company offer its shareholders the option to sell their shares to a fixed price)
- > Spin-offs (the company splits its business activities into two or more entities and distributes new equity shares in the created entities to the shareholders of the former entity)
- > Mergers & Acquisitions (transaction in which the ownership of a company (or other business organizations) are transferred or consolidated with other entities, e.g. fusion of two or more separate companies into one entity)
- > Delistings (company's shares are no longer publicly traded at a stock exchange)
- > Nationalization of a company (effective control of a legal entity is taken over by a state)



> Insolvency

## 4.5. RECALCULATION

SOLACTIVE makes the greatest possible efforts to accurately calculate and maintain its indices. However, errors in the determination process may occur from time to time for variety reasons (internal or external) and therefore, cannot be completely ruled out. SOLACTIVE endeavors to correct all errors that have been identified within a reasonable period of time. The understanding of "a reasonable period of time" as well as the general measures to be taken are generally depending on the underlying and is specified in the Solactive Correction Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/correction-policy/>.

## 4.6. MARKET DISRUPTION

In periods of market stress SOLACTIVE calculates its indices following predefined and exhaustive arrangements as described in the Solactive Disruption Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/disruption-policy/>. Such market stress can arise due to a variety of reasons, but generally results in inaccurate or delayed prices for one or more INDEX COMPONENTS. The determination of the INDEX may be limited or impaired at times of illiquid or fragmented markets and market stress.





## 5. MISCELLANEOUS

### 5.1. DISCRETION

Any discretion which may need to be exercised in relation to the determination of the INDEX (for example the determination of the INDEX UNIVERSE (if applicable), the selection of the INDEX COMPONENTS (if applicable) or any other relevant decisions in relation to the INDEX) shall be made in accordance with strict rules regarding the exercise of discretion or expert judgement.

For the INDEX, a SELECTION PARTY is used. The determinations of the INDEX UNIVERSE and the INDEX COMPONENTS are subject to decisions of the SELECTION PARTY where the exercise of discretion is needed. The SELECTION PARTY has confirmed that such discretionary decision is performed in accordance with the specifications established by the INDEX ADMINISTRATOR.

### 5.2. METHODOLOGY REVIEW

The methodology of the INDEX is subject to regular review, at least annually. In case a need of a change of the methodology has been identified within such review (e.g. if the underlying market or economic reality has changed since the launch of the INDEX, i.e. if the present methodology is based on obsolete assumptions and factors and no longer reflects the reality as accurately, reliably and appropriately as before), such change will be made in accordance with the Solactive Methodology Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/methodology-policy/>.

Such change in the methodology will be announced on the SOLACTIVE website under the Section "[Announcement](https://www.solactive.com/news/announcements/)", which is available at <https://www.solactive.com/news/announcements/>. The date of the last amendment of this INDEX is contained in this GUIDELINE.

### 5.3. CHANGES IN CALCULATION METHOD

The application by the INDEX ADMINISTRATOR of the method described in this document is final and binding. The INDEX ADMINISTRATOR shall apply the method described above for the composition and calculation of the INDEX. However, it cannot be excluded that the market environment, supervisory, legal and financial or tax reasons may require changes to be made to this method. The INDEX ADMINISTRATOR may also make changes to the terms and conditions of the INDEX and the method applied to calculate the INDEX that it deems to be necessary and desirable in order to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The INDEX ADMINISTRATOR is not obliged to provide information on any such modifications or changes. Despite the modifications and changes, the INDEX ADMINISTRATOR will



take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.

## 5.4. TERMINATION

SOLACTIVE makes the greatest possible efforts to ensure the resilience and continued integrity of its indices over time. Where necessary, SOLACTIVE follows a clearly defined and transparent procedure to adapt Index methodologies to changing underlying markets (see Section 5.2 “Methodology Review”) in order to maintain continued reliability and comparability of the indices. Nevertheless, if no other options are available the orderly cessation of the INDEX may be indicated. This is usually the case when the underlying market or economic reality, which an index is set to measure or to reflect, changes substantially and in a way not foreseeable at the time of inception of the index, the index rules, and particularly the selection criteria, can no longer be applied coherently or the index is no longer used as the underlying value for financial instruments, investment funds and financial contracts.

SOLACTIVE has established and maintains clear guidelines on how to identify situations in which the cessation of an index is unavoidable, how stakeholders are to be informed and consulted and the procedures to be followed for a termination or the transition to an alternative index. Details are specified in the Solactive Termination Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/termination-policy/>.

In addition to the provisions in this clause, INDEX termination shall have the criteria as defined in Section 3.1.

## 5.5. OVERSIGHT

An oversight committee composed of staff from SOLACTIVE and its subsidiaries (the “**OVERSIGHT COMMITTEE**”) is responsible for decisions regarding any amendments to the rules of the INDEX. Any such amendment, which may result in an amendment of the GUIDELINE, must be submitted to the OVERSIGHT COMMITTEE for prior approval and will be made in compliance with the Methodology Policy, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/methodology-policy/>.



## 6. DEFINITIONS

“**ACCOUNTING RISK SCORE**” shall have the meaning as defined in Section 2.2.

“**APPROVAL COMMITTEE**” within the SELECTION PARTY can make discretionary decisions in accordance with the requirements of the BMR, and the specifications regarding the exercise of discretion or expert judgement established by the INDEX ADMINISTRATOR. Information regarding the APPROVAL COMMITTEE is as follows:

- **Thomas Küpfer, CFA:** Mr. Thomas Küpfer is the Chief Investment Officer and CEO of Lloyd Capital LLC. He runs the flagship Lloyd Focused Equity Strategy. Thomas is a CFA charter holder and has extensive experience in asset management, financial analysis, and investment consulting. Before co-founding Emerald Wealth Partner (which is the owner of Lloyd Capital LLC), Thomas served as the Co-Head and CIO of the Family Office & Key Clients Group Mexico International at Credit Suisse for four years. Prior that Thomas has held senior management positions at UBS and Clariden Leu in their Products Consulting, Investment Consulting and Active Advisory units and he served as Deputy Head of Research at ATAG Asset Management, where he managed the benchmark portfolio for Swiss pension funds.
- **Cédric Jacque, CFA:** Mr. Cédric Jacque is a Senior Portfolio Manager at Lloyd Capital LLC. Cédric has extensive experience in the financial industry. Prior joining Lloyd Capital LLC, Cédric worked at the independent asset management firm Mensarius AG in Zürich, where he started in 2011 as a Research Analyst and where he was a Partner and Portfolio Manager from 2016 to 2021. Cédric served as Senior Auditor at KPMG in Luxembourg from 2008 to 2011. Cédric earned his Master of Financial Sciences degree from the University of Nancy, France. He is a CFA Charterholder and serves as one of the founders of the CFA Value Investing Network (VIN) in Switzerland.
- **Luigi Scirocco:** Mr. Luigi Scirocco is a Portfolio Manager at Lloyd Capital LLC. Luigi is a CFA level 2 candidate and holds a bachelor's degree in business administration, with a specialization in Banking and Finance, from the Zurich University of Applied Sciences. Luigi has 13 years of experience in the financial industry, whereof 7 years in international Private Banking. Luigi started his apprenticeship at Credit Suisse AG in 2010, working mainly in the Private Banking Wealth Management. After completing the apprenticeship successfully, Luigi worked for 2 years as an Junior Relationship Manager for the Swiss client desk. In 2016 Luigi moved to the Private Banking International and worked for 2 years as an Assistant Relationship Manager, serving UHNWI-Clients in Mexico. From 2018 to 2020, Luigi took over the Mexico Assistant Desk Team responsible for the support of Relationship Managers in their daily business and in consequence got promoted in 2020 to Associate Director.
- **Flavio Tuvé:** Mr. Tuvé successfully navigated roles as a Relationship Manager Assistant and Client Manager in the UHNWI Market for Mexico at Credit Suisse, showcasing expertise in fostering client relationships and managing high-net-worth portfolios. Currently excelling as an Account and Portfolio Manager at Lloyd Capital LLC. Flavio completed his bachelor's degree in business



administration with a Specialization in Banking and Finance in 2022, and he is currently pursuing the Chartered Financial Analyst (CFA) designation, currently at Level 2.

“**BALANCE SHEET SCORE**” shall have the meaning as defined in Section 2.2.

“**BENCHMARK REGULATION**” shall have the meaning as defined in Section “Introduction”.

“**BETA**” is a measure of a stock’s volatility in relation to the overall market.

“**BINARY RISK SCORE**” shall have the meaning as defined in Section 2.2.

“**BMR**” shall have the meaning as defined in Section “Introduction”.

“**BUSINESS DAY**” is a day on which New York Stock Exchange (NYSE), the London Stock Exchange, the EUREX Exchange, and the Tokyo Stock Exchange is open for general business.

“**BUSINESS STABILITY RISK SCORE**” shall have the meaning as defined in Section 2.2.

“**CALCULATION DAY**” is every weekday from Monday to Friday.

“**CLOSE OF BUSINESS**” is the calculation time of the closing level of the INDEX as outlined in Section 1.4.

The “**CLOSING PRICE**” in respect of an INDEX COMPONENT and a TRADING DAY is a security’s final regular-hours TRADING PRICE published by the EXCHANGE and determined in accordance with the EXCHANGE regulations. If the EXCHANGE has no or has not published a CLOSING PRICE in accordance with the EXCHANGE rules for an INDEX COMPONENT, the last TRADING PRICE will be used.

“**COMBINED EARNING POWER RISK SCORE**” shall have the meaning as defined in Section 2.2.

“**COMBINED RATIO**” shall have the meaning as defined in Section 2.2.

“**DEFENSIVE BUSINESS**” is a classification when a security has a BUSINESS STABILITY RISK SCORE above the average of the INDEX UNIVERSE.

“**DISRUPTION AND COMPETITIVE POSITION RISK SCORE**” shall have the meaning as defined in Section 2.2.

“**ELIGIBLE REBALANCE DAY**” is each day that is a TRADING DAY at the New York Stock Exchange (NYSE), the London Stock Exchange, the EUREX Exchange, and the Tokyo Stock Exchange.

“**EMERGING MARKETS**” is a list of countries as follows that will be reviewed once a year:

Country
Bangladesh, Brunei, Cambodia, China, Cook Islands, Fiji, French Polynesia, India, Indonesia, Kazakhstan, Kyrgyzstan, Laos, Macau, Malaysia, Maldives, Marshall Islands, Mongolia, Myanmar, Nepal, Northern Mariana Islands, Pakistan, Papua New Guinea, Philippines, Samoa, Sri Lanka, Tajikistan, Thailand, Turkmenistan, Uzbekistan, Vietnam, Albania, Azerbaijan, Belarus, Bosnia, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine, Anguilla, Antigua & Barbara, Argentina, Aruba, Bahamas, Barbados, Belize, Bolivia, Brazil, British Virgin Islands, Cayman Islands, Chile, Colombia, Costa Rica, Cuba,



Israel, Cayman Islands, Chile, Colombia, Costa Rica, Cuba, Curacao, Dominica, Dominican Republic, Ecuador, El Salvador, Falkland Islands, French Guiana, Guadeloupe, Guam, Guatemala, Honduras, Honduras, Jamaica, Mexico, Netherlands Antilles, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Saint Kitts & Nevis, Saint Lucia, Saint Vincent & Grenadines, Suriname, Trinidad & Tobago, Turks & Caicos, Uruguay, Venezuela, Algeria, Angola, Armenia, Bahrain, Benin, Botswana, Bouvet Island, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Comoros, Congo, Democratic Republic of the Congo, Egypt, Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Iran, Iraq, Ivory Coast, Jordan, Kenya, Kuwait, Lebanon, Liberia, Libyan Arab Jamahiriya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Sao Tome & Principe, Saudi Arabia, Senegal, Seychelles, Sierra Leone, South Africa, Sudan, Syrian Arab Republic, Tanzania, Togo, Tunisia, Uganda, United Arab Emirates, Zambia, Zimbabwe, Oman, Palestine, Qatar, Rwanda

**“EXCHANGE”** is with respect to the INDEX and every INDEX COMPONENT, the respective exchange where the INDEX COMPONENT has its listing as determined in accordance with the rules in Section 2.

**“GUIDELINE”** shall have the meaning as defined in Section “Introduction”.

**“HIGH WEIGHT SECURITIES SILVER”** shall have the meaning as defined in Section 2.3.

**“INDEX”** shall have the meaning as defined in Section “Introduction”.

**“INDEX ADMINISTRATOR”** shall have the meaning as defined in Section “Introduction”.

**“INDEX COMPONENT”** is each security reflected in the INDEX.

**“INDEX COMPONENT REQUIREMENTS”** shall have the meaning as defined in Section 2.2.

**“INDEX CURRENCY”** is the currency specified in the column “Currency” in the table in Section 1.2.

**“INDEX UNIVERSE REQUIREMENTS”** shall have the meaning as defined in Section 2.1.

**“INDEX UNIVERSE”** is the sum of all financial instruments which fulfill the INDEX UNIVERSE REQUIREMENTS.

**“LIVE DATE”** shall have the meaning as defined in Section 1.3.

**“LOW WEIGHT SECURITIES SILVER”** shall have the meaning as defined in Section 2.3.

**“MACRO SCORE”** shall have the meaning as defined in Section 2.2.

**“MANAGEMENT SCORE”** shall have the meaning as defined in Section 2.2.

**“MARGIN OF SAFETY”** shall have the meaning as defined in Section 2.2.

**“MOAT SCORE”** shall have the meaning as defined in Section 2.2.

**“OVERSIGHT COMMITTEE”** shall have the meaning as defined in Section 5.5.

**“PRODUCTS / SERVICES CRITICALITY RISK SCORE”**



**"REBALANCE DAY"** is the first Wednesday in January, February, March, April, May, June, July, August, September, October, November, and December. If that day is not a BUSINESS DAY, the REBALANCE DAY will be the immediately following BUSINESS DAY.

**"RECONSTITUTION DAY"** is 3 weekdays (Monday to Friday)] before the scheduled REBALANCE DAYS on March and September.

**"RISK METRIC"** shall have the meaning as defined in Section 2.2.

**"SELECTION DAY"** is 3 weekdays (Monday to Friday)] before the scheduled REBALANCE DAY, disregarding any potential change of the REBALANCE DAY.

**"SELECTION PARTY"** is Lloyd Capital LLC.

**"SOLACTIVE"** shall have the meaning as defined in Section "Introduction".

**"START DATE"** shall have the meaning as defined in Section 1.3.

The **"TOTAL MARKET CAPITALIZATION"** is with regard to each of the securities in the INDEX on a SELECTION DAY the sum of all SHARE CLASS MARKET CAPITALIZATIONS of a company.

**"TRADING DAY"** is with respect to an INDEX COMPONENT included in the INDEX at the REBALANCE DAY and every INDEX COMPONENT included in the INDEX at the CALCULATION DAY immediately following the REBALANCE DAY (for clarification: this provision is intended to capture the TRADING DAYS for the securities to be included in the INDEX as new INDEX COMPONENTS with close of trading on the relevant EXCHANGE on the REBALANCE DAY) a day on which the relevant EXCHANGE is open for trading (or a day that would have been such a day if a market disruption had not occurred), excluding days on which trading may be ceased prior to the scheduled EXCHANGE closing time and days on which the EXCHANGE is open for a scheduled shortened period. The INDEX ADMINISTRATOR is ultimately responsible as to whether a certain day is a TRADING DAY.

The **"TRADING PRICE"** in respect of an INDEX COMPONENT and a TRADING DAY is the most recent published price at which the INDEX COMPONENT was traded on the respective EXCHANGE.

**"WM / REFINITIV RATE"** shall have the meaning as defined in Section 1.4.

**"4M SCORE"** shall have the meaning as defined in Section 2.2.



## 7. HISTORY OF INDEX CHANGES

Version	Date	Description
1.0	19 February 2024	Index Guideline creation ( <i>initial version</i> )

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