



S-Network Composite Closed-End Fund Index	CEFX
S-Network Municipal Bond Closed-End Fund Index	CEFMX
S-Network CEF Bank Loan/Short Duration Index	CEFBLX
S-Network CEF High Yield Index	CEFHYX
S-Network CEF Investment Grade Fixed Income Index	CEFIGX
S-Network CEF Option Income Index	CEFOIX

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Introduction

Index Objective

The S-Network Closed-End Fund Indexes are a family of indexes designed to serve as a benchmarks for closed-end funds listed in the US that are principally engaged in asset management processes that meet that index's objective. The indexes employ a modified total net assets weighting methodology designed to assure accurate investment exposure across the various business segments.

Index Family & Highlights

The Index Family consists of closed-end funds listed in the US.

S-Network Composite Closed-End Fund Index (CEFX):

The CEFX index is a mutual fund index designed to serve as a benchmark for closed-end funds principally engaged in asset management processes designed to produce taxable annual yield.

S-Network CEF High Yield Index (CEFHYX):

The CEFHYX index is a mutual fund index designed to serve as a benchmark for closed-end funds classified as High Yield principally engaged in asset management processes designed to produce taxable annual yield.

S-Network CEF Investment Grade Fixed Income Index (CEFIGX):

The CEFIGX index is a mutual fund index designed to serve as a benchmark for closed-end funds classified as Investment Grade Fixed Income principally engaged in asset management processes designed to produce taxable annual yield.

S-Network CEF Option Income Index (CEFOIX):

The CEFOIX index is a mutual fund index designed to serve as a benchmark for closed-end funds classified as Option Income principally engaged in asset management processes designed to produce taxable annual yield.

S-Network Municipal Bond Closed-End Fund Index (CEFMX):

The CEFMX index is a mutual fund index designed to serve as a benchmark for closed-end funds principally engaged in asset management processes designed to produce federally tax-exempt annual yield.

S-Network CEF Bank Loan/Short Duration Index (CEFBLX):

The CEFBLX is a mutual fund index designed to serve as a benchmark for closed-end funds principally engaged in asset management processes designed to produce taxable annual yield through investment in senior bank loans and other short duration instruments.

Dates

Reference Date: Close of second Friday of last month of quarter.

Reconstitution Date:

Quarterly - On the close of the last business date of the calendar quarter.

Semi- Annual - On the close of the last business date of March and September.

Weight Date: Close of business on the business date prior to the Tuesday following the third Friday of the last month in each calendar quarter.

Rebalance Date: Indexes are rebalanced quarterly on the on the close of the last business date of each calendar quarter.

Reconstitution schedule:

Quarterly - CEFX

Semi-Annually - CEFMX

Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein.

The list of the main supplemental documents for this methodology can be found in the Methodologies and Governance tabs on the [Index Resources](#) page as follows:

Supporting Documents
Index Maintenance Policy
Index Governance
Index Policies
Methodology Policies
Glossary
Index Change and Consultation Policy

Eligibility Criteria and Index Construction

Universe

CEFX:

Closed-end funds, domiciled in the United States, that produce taxable annual yield and are classified as:

- Investment Grade Fixed Income Closed-End Funds
- High-Yield Fixed Income Closed-End Funds
- Option Income Closed-End Funds

CEFHYX:

Closed-end funds, domiciled in the United States, that produce taxable annual yield and are classified as:

- High-Yield Fixed Income Closed-End Funds

CEFIGX:

Closed-end funds, domiciled in the United States, that produce taxable annual yield and are classified as:

- Investment Grade Fixed Income Closed-End Funds

CEFOIX:

Closed-end funds, domiciled in the United States, that produce taxable annual yield and are classified as:

- Option Income Closed-End Funds

CEFMX:

Closed-end municipal bond funds, domiciled in the United States, that produce federal tax-free annual yield and are classified as:

- Leveraged Municipal Fixed Income Closed-End Funds
- Unleveraged Municipal Fixed Income Closed-End Funds
- Leveraged High Yield Municipal Fixed Income Closed-End Funds
- Unleveraged High Yield Municipal Fixed Income Closed-End Funds

Index Construction

Constituent Selection

The Index includes all funds within the Universe that meet the following criteria:

- a. The closed-end fund must be organized under the laws of the United States and meet all legal and regulatory criteria pursuant primarily to the relevant sections (Section 4(a)(2) and Section 23) of the Investment Company Act of 1940, and in compliance with the relevant sections of the Investment Company Acts of 1933 and 1934.
- b. The closed-end fund must meet or have the stated classification of the fund's universe.
- c. The closed-end fund's shares must trade on a recognized North American stock exchange that provides a "last closing price". (National Stock Exchange, formerly NASDAQ, stocks must be "reported securities" under 11Aa3-1 of the Securities and Exchange Act, i.e., National Market System stocks.)
- d. The minimum capitalization value for new closed-end funds is one hundred million USD and 75 million USD for current funds (50 million USD for CEFBLX and 60 million USD for CEFMX).
- e. Closed-end funds whose shares have traded at average premium/discounts (plus or minus the average premium/discount for all universe constituents) of 20% for new funds and 25% (22% for

CEFBLX) for current funds or more to their net asset values for the ten business days prior to the second Friday of the rebalancing month (“the record date”) shall be excluded from the index.

- f. To meet eligibility requirements, new funds must maintain a management fee below 1.25%, while a current fund must maintain a management fee below 1.5%.
- g. Closed-end funds must have an average daily turnover (shares traded X share price) of more than 500,000 USD per day for the three months prior to the record date to be eligible for inclusion in the index and a current constituent must trade at least 300,00 USD daily (250,000 USD for CEFBLX and CEFMX).
- h. A fund must have been trading for more than three calendar months (“Recent IPO”) prior to a rebalancing date to be included in the index.
- i. Term trusts must have a termination date of 3 or more years for new and current funds from the effective date of the new portfolio to be eligible for inclusion.

Constituent Weightings & Constraints

Closed-end funds are weighted based on their adjusted net assets.

- a. Net assets of each fund are adjusted based on their 90 day average premium/discount relative to all included funds :

90 day average Premium/Discount	Net asset adjustment factor
Discount > 6%	1.3
6% <= Discount <= 3%	1.2
3% < Discount <= 0 %	1.1
0% > Premium >= 3%	0.9
3% > Premium >= 6%	0.8
Premium > 6%	0.7

- b. Any stock with a weight greater than 8% will be capped at 8% and the remaining weight shall be redistributed on a proportional basis to the remaining funds in the index.
- c. The total weight of all the funds contained in the index with weights greater than 5% shall be capped at 45%. The weights of the funds with weights over 5% shall be reduced on a proportional basis and added to the weights of the funds with weights under 5% on a proportional basis using a multi-constraint smoothing process (see Index Maintenance for details).

Index Maintenance

Rebalancing and Reconstitution

The Indexes are rebalanced on the “Rebalance Date” and additionally reconstituted on the “Reconstitution Date”. Eligibility is determined as of the “Reference Date” and pricing used in share weights used for rebalancing and reconstitutions are as of the “Weight Date”. Changes to the Indexes related to the rebalances and reconstitution are as of the “Rebalance Date” and “Reconstitution Date”. Additions are only made on reconstitution dates.

Corporate Actions

Please refer to the Index Maintenance Policy document for information on Corporate Action processing.

Base Date and History Availability

Index history availability, base dates and base values are shown in the table below.

Index	Price Index	Base Date	Base Value	Total Return Index	Base Date	Base Value
S-Network Composite Closed-End Fund Index	CEF	02/17/10	769.05	CEFTR	02/17/10	1200.17
S-Network CEF High Yield Index	CEFHYX	12/31/08	1000	CEFHYXTR	12/31/08	1000
S-Network CEF Investment Grade Fixed Income Index	CEFIGX	12/30/05	1000	CEFIGXTR	12/30/05	1000
S-Network CEF Option Income Index	CEFOIX	12/29/06	1000	CEFOIXTR	12/29/06	1000
S-Network Municipal Bond Closed-End Fund Index	CEFMX	12/30/05	1000	CEFMXTR	12/30/05	1000
S-Network CEF Bank Loan/Short Duration Index	CEFBX	12/31/08	1000	CEFBXTR	12/31/08	1000

Index Calculation

Please refer to the Index Maintenance Policy document for information on index calculations.

Index Governance

The index is governed and managed by a VettaFi Index Committee for the purpose of meeting the goals of the index. For more information, please refer to the Index Governance document.

Index Policies

Please refer to the Index Policies document for information regarding Announcements, Holiday Schedules, Unexpected Exchange Closures, and Recalculation Policy.

Contact Information

For any questions regarding an index, please contact: index.production@vettafi.com

Disclaimer

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