

US Quality Tech iNDEX Methodology

August 2024

Table of Contents:

Introduction

1. Index Objective
2. Highlights
3. Dates
4. Supporting Documents

Eligibility Criteria and Index Construction

1. Universe

Index Construction

1. Constituent Selection
2. Constituent Weightings & Constraints

Index Maintenance

1. Rebalancing and Reconstitution
2. Corporate Actions
3. Index Information

Index Calculation

Index Governance

Index Policies

Contact Information

Disclaimer

Introduction

Index Objective

The index is designed to measure the performance of US companies focused on tech activities with the highest Quality score among the securities that meet all eligibility criteria of the index. The Quality score is based on companies ROE, consistent profitability and growing cash flow over time.

Highlights

The Index uses a market capitalization weighting algorithm. Additionally, companies are screened based on their tech business activities and their quality score (company's ROE, consistent profitability and growing cash flow).

Dates

Reference Dates: Same as Weight Date. Reconstitution Dates: Indexes reconstitute quarterly on the COB of the fourth Tuesday in January, April, July, and October. Weight Date: Five trading days prior to the Rebalance/Reconstitution Date. Rebalance Dates: Indexes rebalance quarterly on the COB of the fourth Tuesday in January, April, July, and October.

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

Equities trading on US exchanges whose companies are tech oriented according to their business activity classification and which are ranked among top 50 by Quality ranking. The largest 250 tech companies trading on US exchanges are ranked highest by the below quality scores based on the process detailed in the following document: "iNDEX Factors Methodology".

Index Construction

Constituent Selection

All companies that meet the following requirements are selected:

- Securities types: Common Stocks.
- Eligible exchanges: USA.
- Currencies: USD.
- 3-Month Average Daily Trading Value: 250,000 USD.
- Float Percent: 20%.
- Full Market Cap: 1 billion USD.
- The index thematic selection process is as follows:
 1. Ranking: All eligible securities are ranked by market capitalization.
 2. Primary Selection: The index includes issuers with more than 50% of their combined revenues from the Index Theme.
 3. Quality Selection: All eligible securities are ranked by their market capitalization on cut-off date. The largest 250 companies by market cap ranked by Quality Ranking on cut-off date.

Constituent Weightings & Constraints

Constituents are free-float market cap-weighted with the following constraints:

- Number of issuers capped at: 50.
- Issuer weights capped at: 5%.
- Issuer weights are at least: 0.10%.
- Each security's weighting factor can be adjusted according to: (i) The normalized quality score can add to the weighting up to 50% more than the initial weighting factor or can reduce the weighting up to 25%; (ii) Extreme company leverage can reduce the weighting up to 50%; (iii) If a security's Price to Sales is ranked among worst 2 deciles (relative to all index securities), If a security's Price to Equity is ranked among worst 2 deciles (relative to all index securities), or the issuer has an extreme leverage (ranked among worst 2 deciles relative to all index securities), the weighting is reduced by 25%.

Excess weights are redistributed proportionally among the rest of the uncapped securities. This redistribution is repeated iteratively until all the capping conditions are met.

Index Maintenance

Rebalancing and Reconstitution

The Indexes are rebalanced on the “Rebalance Date” and additionally reconstituted on the “Reconstitution Date”. Pricing used in share weights used for reconstitutions are as of the “Weight Date”. Share weights for the rebalanced Indexes are computed as of the “Weight Date”. Changes to the Indexes related to the rebalances are as of the “Rebalance Date”. Additions are only made on reconstitution dates.

Corporate Actions

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

Index Information

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

Index	Net Total Return Index	Base Date	Base Value
US Quality Tech iNDEX	USTECHQL	December 31, 2018	1000

Methodology Updates and Changes

Date	Version	Previous	New
August 2024	1.0.0	---	Initial Version

Index Calculation

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

Index Governance

The index is governed and administered by iNDEX Research Index Committee, a sub-committee of 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: info@indx.co.il.

Disclaimer

This document is published to serve as a guidebook of the methodology adopted in the construction, calculation, and management of the index. The index is owned, calculated, administered, and disseminated by iNDEX Research and Development Indices Ltd., as directed and supervised by VettaFi LLC. iNDEX Research and Development Indices Ltd. and VettaFi LLC are both group companies of TMX Group Ltd. VettaFi LLC delegates certain related responsibilities and activities to iNDEX Research and Development Indices Ltd. The iNDEX Research Indexes Committee operates as a sub-committee of the VettaFi Index Committee. Any methodological changes or alterations to this document are performed in accordance with the procedures outlined within the 'Supporting Documents' section of this methodology.