



VettaFi RavenPack Large Cap Innovation Index

VRLII

Table of Contents

- Introduction 3
 - Index Objective 3
 - Highlights 3
 - Dates 3
 - Supporting Documents 3
- Eligibility Criteria and Index Construction 4
 - Universe 4
- Index Construction 4
 - Selection and Weightings 4
- Index Maintenance 4
 - Rebalancing 4
 - Corporate Actions 4
 - Base Date and History Availability 5
- Index Calculation 5
- Index Governance 5
- Index Policies 5
- Contact Information 5
- Appendix 6
- Modifications 6
- Disclaimer 6

Introduction

Index Objective

The VettaFi RavenPack Large Cap Innovation index measure the performance of US companies who focus on innovation and are investing heavily in R&D. RavenPack assigns daily innovation scores to companies using its proprietary NLP solutions. These scores are used to select and concentrate Index and Sector exposure in the companies that have the highest innovation scores. The index is subject to sector, security weight, and turnover constraints.

Highlights

The index is designed to select the highest ranked securities within a sector while maintaining sector weight ranges derived from its universe. To promote low turnover, current securities are not considered for removal unless their percentile rankings drop below a minimum rank. Security counts are based on the amount required to meet sector and portfolio requirements.

VettaFi RavenPack Large Cap Innovation Index – The index is composed of the most innovative securities within a universe drawn from a US Large Cap Index and constituent weights target a multiple of their weight in the underlying index.

Dates

Cut off Dates: Last business day of the second month of the calendar quarter.

Reconstitution Dates: Indexes reconstitute quarterly on the close of the third Friday in the calendar quarter.

Weight Dates: Business day prior to the second Friday of the calendar quarter.

Rebalance Dates: Same as Reconstitution Date.

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
VettaFi Factor Scores

VettaFi Generic Factor Algorithm Weighting Methodology Rulebook

Eligibility Criteria and Index Construction

Universe

Index	Index Universe ¹
VettaFi RavenPack Large Cap Innovation Index	VettaFi US Equity Large-Cap 500 Index

Index Construction

Selection and Weightings

Constituents are selected based on their innovation percentile ranking to meet sector minimum and maximum weights and 100% portfolio weight. In initial construction minimum sector weights are achieved by selecting top ranked securities, targeting their maximum weights. Constituent maximum weights are a function of a global maximum and a multiple of their weight in the underlying universe. After initial construction, current constituents are automatically included if they maintain a minimum score ranking. Once current sectors have been adjusted to meet sector weight constraints, the highest ranked securities are adjusted or added to bring portfolio weight to 100%.

Sector weight ranges are based on the sector weights of the underlying universe.

For more details on selection and weighting, please refer to the “VettaFi Generic Factor Algorithm Weighting Methodology Rulebook”. Index parameter values are listed in the appendix.

Please reference the Appendix for details on Innovation scores used in the innovation percentile ranking.

Index Maintenance

Rebalancing

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.

¹ As of Rebalance/Reconstitution date.

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
VettaFi RavenPack Large Cap Innovation Indexes Methodology	VRLII	06/21/03	1000	VRLIIT	06/21/03	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

Appendix

Innovation Score:

The innovation score utilizes RavenPack's in-house NLP capabilities to look at historical and real time news from dozens of the most read journals and news organizations

When an article has keywords related to innovation tied to a specific publicly traded company, that article is included in the daily innovation raw score for that day. The daily innovation raw score is the sum of the innovation related articles for a specific company on a specific day.

The following adjusted score system is used in the VettaFi RavenPack Innovation Indexes to produce a final innovation score on the cutoff date:

$$\text{Final Score} = \frac{\log(\sum_{i=0}^j \text{daily raw innovation score})}{\log(\text{market capitalization})} \text{ where } j \text{ is three months back}$$

Parameter Values:

Max Weight of a Security	0.07
Multiple	3
Max Sector Variance	0.1
Bottom Factor Cutoff	0.7

Modifications

Disclaimer

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