



The Future of Defence Screened Index NATOS

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Introduction

Index Objective

The Future of Defence Screened Index tracks the market performance of companies, listed globally on recognized exchanges that provide exposure to NATO defense and cyber-defense spending. Additionally, a negative screen is utilized to exclude companies with exposure to controversial weapons, thermal coal, and greater than 5% exposure to tobacco.

Highlights

The Index uses a modified free float market capitalization weighting algorithm.

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

Global equities headquartered in NATO countries and incorporated and/or domiciled within them trading on major global exchanges

Index Construction

Constituent Selection

The top 60¹ companies by company free float market cap that meet the following requirements are selected:

- Minimum Thematic Exposure: Constituent business operations must derive more than 50% of their revenues from the manufacture and development of military aircraft and/or defense equipment (military armored vehicles & tanks, weapon systems and missiles, munitions and accessories, electronics & mission systems, and naval ships), defense technology applications, or cyber security contracting with a NATO member nation verified by publicly available contract information.
- ESG/Human Rights Filter: Constituent business operations must comply with United Nation Global Compact (UNGC) principles and Organization for Economic Cooperation (OECD) Guidelines for Multinational Enterprises². Companies involved in the production development or maintenance of anti-personnel mines, biological or chemical weapons, cluster munitions or depleted uranium are excluded from consideration for the index. Additionally, companies must derive less than 5% of their revenue from tobacco manufacturing, distribution, and the sale of tobacco products as well as not derive any revenue from the exploration, mining, or refining of thermal coal.
- Market Cap of 1 Billion USD
- 20% Free Float
- 3-month Average Daily Traded Value (ADTV) of 1 million USD

In the event of less than 60 eligible companies, only eligible companies are selected.

Constituent Weightings & Constraints³

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

- Constituent weighting needs to accommodate the ability to trade 25% of 25 million USD while not exceeding the constituents 90-day ADTV.
- Issuer weights are capped at 5%.
- Issuer weights must be at least 0.2% or the issuer is excluded.
- The cumulative weight of all constituents representing more than 4.5% of the index cannot exceed 40%.

¹ In the case that two or more securities are tied for the last position of the ranking, the security with the highest 3-month ADTV is selected for inclusion.

² UNGC and OECD screens are defined by the Index provider using data from a third-party rating company.

³ Historical backtest- Prior to the April 2024 Reconstitution, the following parameters were used: Issuer weights are capped at 12%; The cumulative weight of all constituents representing more than 5.0% of the index cannot exceed 40%; The cumulative weight of all constituents representing a single country cannot exceed 80% of the total index weight

- The cumulative weight of all constituents representing a single country cannot exceed 60% of the total index weight.

Excess weights are redistributed proportionally among the rest of the uncapped securities. This redistribution is repeated iteratively until all 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	Price Index	Base Date	Base Value	Net Total Return Index	Base Date	Base Value
The Future of Defence Screened Index	NATOS	01/23/2018	1000	NATOST	01/23/2018	1000

Methodology Updates and Changes

Date	Version	Previous	New
Jul 2025	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 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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