



VettaFi Global Defence Leaders Index VGDEF

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Introduction

Index Objective

The VettaFi Global Defence Leaders Index tracks the market performance of companies, listed globally in selected exchange countries, that provide exposure to national defence industries with NATO-aligned values.

Highlights

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

Dates

Reference Dates: Same as Weight Date.

Reconstitution Dates: Indexes reconstitutes semi-annually on the Close of Business (“COB”) of the second Friday in March and September

Weight Date: Five trading days prior to the Rebalance/Reconstitution Date.

Rebalance Dates: The Index rebalances quarterly on the COB of the second Friday in March, June, September, and December.

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 Resources¹](#) page as follows:

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

¹ <https://vettafi.com/issuer-services/indexing/index-resources/>

Eligibility Criteria and Index Construction

Universe

Global equities trading on major global exchanges² headquartered in NATO+ countries and incorporated and/or domiciled within them. NATO+ countries include NATO member countries and select major non-NATO allies as defined in the Appendix.

Index Construction

Constituent Selection

The top 60 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% (45% for current constituents) of their revenues from the manufacture and development of military aircraft and/or defence equipment (military armored vehicles & tanks, weapon systems and missiles, munitions and accessories, electronics & mission systems, and naval ships), or defence technology applications with a NATO+ member nation verified by publicly available contract information.
- Market Cap USD 1 billion
- 20% Free Float
- 3-month Average Daily Traded Value(ADTV) of USD 1 million

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

Constituent Weightings & Constraints

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

- Constituent weights are capped at 8%.
- Constituents are given minimum weights of 0.2%.

Weights are reallocated proportionally to meet the capped and minimum weight constraints. This reallocation is repeated iteratively until all 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.

² See APPENDIX B for list of eligible exchange countries.

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 |
|--------------------------------------|-------------|------------|------------|------------------------|------------|------------|
| VettaFi Global Defence Leaders Index | VGDEF | 09/08/2017 | 1000 | VGDEFN | 09/08/2017 | 1000 |

Methodology Updates and Changes

| Date | Version | Previous | New |
|------|---------|----------|-----|
| | | | |

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

The Indices are proprietary to VettaFi. No use or publication may be made of an Index, or any of its provisions or values, without the prior written consent of VettaFi. VettaFi is not responsible for any

errors or omissions, regardless of the cause, for the results obtained from the use of the Content. In no event shall VettaFi be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content.

Appendix A

MAJOR Non-NATO Ally Status

US State Department, Bureau of Political-Military Affairs

January 20, 2021

Major Non-NATO Ally (MNNA) status is a designation under U.S. law [\[1\]](#) that provides foreign partners with certain benefits in the areas of defence trade and security cooperation. The Major Non-NATO Ally designation is a powerful symbol of the close relationship the United States shares with those countries and demonstrates our deep respect for the friendship for the countries to which it is extended. While MNNA status provides military and economic privileges, it does not entail any security commitments to the designated country.

Privileges resulting from MNNA designation under [22 U.S.C. §2321k](#) :

- Eligible for loans of material, supplies, or equipment for cooperative research, development, testing, or evaluation purposes.
- Eligible as a location for U.S.-owned War Reserve Stockpiles to be placed on its territory outside of U.S. military facilities.
- Can enter into agreements with the United States for the cooperative furnishing of training on a bilateral or multilateral basis if the financial arrangements are reciprocal and provide for reimbursement of all U.S. direct costs.
- Eligible, to the maximum extent feasible, for priority delivery of [Excess Defense Articles](#) transferred under section 516 of the Foreign Assistance Act (if located on the southern or south-eastern flank of NATO).
- Eligible for consideration to purchase depleted uranium ammunition.

Privileges resulting from MNNA designation under 10 [U.S.C. §2350a](#) :

- Eligible to enter into an MOU or other formal agreement with the U.S. Department of Defense for the purpose of conducting cooperative research and development projects on defence equipment and munitions.
- Allows firms of a MNNA, as with NATO countries, to bid on contracts for maintenance, repair or overhaul of U.S. Department of Defense equipment outside the United States.
- Allows funding to procure explosives detection devices and other counter-terrorism research and development projects under the auspices of the Department of State's [Technical Support Working Group](#).

Currently 18 countries are designated as MNNAs under [22 U.S.C. §2321k](#) and 10 [U.S.C. §2350a](#) :

- Argentina, Australia, Bahrain, Brazil, Colombia, Egypt, Israel, Japan, Jordan, Kuwait, Morocco, New Zealand, Pakistan, the Philippines, Qatar, South Korea, Thailand, and Tunisia.
- In addition, [Pub. L. 107-228](#) provides Taiwan shall be treated as an MNNA, without formal designation as such.

APPENDIX B – Eligible Exchange Countries

Australia

Austria

Belgium

Brazil

Britain

Canada

Denmark

Finland

France

Germany

Greece

Hungary

Ireland

Israel

Italy

Japan

Netherlands

New Zealand

Norway

Poland

Portugal

South Korea

Spain

Sweden

Switzerland

United States of America