

# Small Cannabis Equity Index Methodology

## Description

The Small Cannabis Equity Index (“Index”) measures the performance of companies involved in the cannabis industry. All equities are NYSE- or Nasdaq-listed.

## Calculating the Index

The value of the Small Cannabis Equity Index is the sum of each component multiplied by the shares held in the index. Upon creation, the Index’s components were equally weighted; over time, these components will change, as detailed in the Index Maintenance section. An additional “cash” value in the index may result due to the removal of a symbol. This is done in accordance with the results set forth in this document and also in accordance with the [“Corporate Actions Methodology for Small Exchange Equity Indices”](#).

## Eligibility Criteria

**Listing.** To be eligible for inclusion in the index, each equity must be listed on the NYSE or Nasdaq.

**Liquidity.** To be considered for the Small Cannabis Equity Index, each equity must have an average daily notionally-traded volume (“ADTV”) of at least \$1 million. This is the volume traded multiplied by the share value for each day and then averaged over a six (6) month period.

**Market Capitalization.** Companies must have a capitalization of \$100 million or more for inclusion to the Index.

**History.** Each equity must be publicly traded for a minimum of three (3) months.

## Index Maintenance

Dividends do not affect the price of the Index unless noted in the [“Corporate Actions Methodology for Small Exchange Equity Indices”](#). For splits and reverse splits, the shares held are adjusted in proportion to the split to create a neutral impact to the Index. In the case of a delisting, whether through mergers and acquisitions, or other, the company being delisted is removed from the Index, and the resulting last sale is held constant. Additional information is contained in the [“Corporate Actions Methodology for Small Exchange Equity Indices”](#).

**Rebalancing during Quarterly Dates.** One month prior to the quarterly rebalance, equities are evaluated according to the procedures outlined below:

1. If a single index component is more than 10% of the Index, the company is capped at 10%.
2. All excess weight is equally redistributed to all remaining uncapped companies.

3. The Index must fulfill the [CFTC's Broad-based Security Definition](#). The lowest weighted component securities comprising, in the aggregate, 25 percent of the Index's weighting must have an aggregate dollar value of ADTV of \$50 million or more (or in the case of an index with 15 or more component securities, \$30 million or more) for the six (6) months prior.
4. If the ADTV requirement is not met, then the symbol with the smallest ADTV is dropped and the weighting process returns to Procedure 1.

On the date of the quarterly rebalance, the Official Closing Price of each component equity, along with the cash closing price of the Small Cannabis Equity Index is used to calculate the new shares and weights. All excess weights are equally redistributed across uncapped components.

Quarterly rebalancing is the third Friday of March, June, September, and December. If Friday is a holiday, the first trading date preceding shall be used. Changes to the Index (outside of a special rebalance) are announced one month prior to the quarterly rebalance date.

#### **Rebalancing outside of the Quarterly Dates.**

A special rebalance may be had to reduce the proportions so that the Index does not fall into the CFTC's definition of a Narrow-Based Index. If any of the following occur at the end of any trading period, a special rebalance shall be held:

1. Ten (10) or fewer symbols comprise the Index,
2. Any one (1) symbol comprises more than 25% of the Index,
3. The sum of the five (5) largest companies comprises more than 55% of the index, or
4. The six (6) month average daily trading volume (ADTV) requirement is not met

If a special rebalance is held, the closing price of the Small Cannabis Equity Index, along with the individual components are used to calculate the new weights. All excess weights are equally redistributed across uncapped components.

#### **Additions and Deletions**

Additions and deletions most often occur during the quarterly rebalance. Additions and deletions (outside of possible special rebalances) will be announced one (1) month prior.