

**MarketGrader Global Index Series**

**Rulebook and Methodology Overview**

**2020**



**MarketGrader**  
RESEARCH & INDEXES

## **Introduction**

The MarketGrader Global Indexes, created and administered by MarketGrader, are designed to provide investors with exposure to the fastest growing and most financially sound companies listed across various stock exchanges around the world. MarketGrader selects all index constituents on a semi-annual basis according to criteria described in this document.

## **MarketGrader's Coverage Universe**

In order to define the universe from which the MarketGrader Indexes are selected, it is necessary to first define MarketGrader's research coverage universe since the company's security selection is based on its public company ratings. Thus, MarketGrader's research coverage universe is defined as the set of companies traded on public stock exchanges globally that meet the criteria necessary for MarketGrader to perform a comprehensive fundamental analysis according to its proprietary methodology. This methodology is based on 24 indicators, each graded independently, across four fundamental categories: Growth, Value, Profitability and Cash Flow. The sum of all 24 indicator grades is aggregated into a final numerical overall grade in a range between zero and one hundred. MarketGrader therefore requires that a minimum number of fundamental indicators meet its analysis requirements in order to assign them a grade. Furthermore, a minimum number of them must be graded consistently over time for a company to be eligible for coverage by MarketGrader and, subsequently, for inclusion into the MarketGrader Indexes. The following criteria are evaluated by MarketGrader in the maintenance of its research coverage universe according to MarketGrader's primary research coverage regions.

Americas:

Universe Inclusions:

All public issues defined as common shares and ADRs (American Depositary Receipts) that are listed in non-OTC (over the counter) exchanges. This includes Limited Partnerships (LPs) and Real Estate Investment Trusts (REITs). LPs and REITs are ineligible for inclusion to some indexes on a case by case basis, as listed in the individual index rules in this document. All issues eligible for universe inclusion must have at least three active trading days within the last 12 calendar days. Company domicile is defined based on the Entity "ISO Country" code as defined by FactSet.

Asia Pacific:

#### Universe Inclusions

All public issues defined as common shares where, according to FactSet, entity types are defined as “public” or “holding companies”. Also, all entity sub-types defined as “Limited Partnership”. All issues eligible for universe inclusion must have at least one active trading day within the last 12 calendar days. Company domicile is defined based on the Entity “ISO Country” code as defined by FactSet.

Europe & Middle East:

All public issues defined as common shares where, according to FactSet, entity types are defined as “public” or “holding companies”. Also, all entity sub-types defined as “Limited Partnership”. Only primary listing issues in this region are included in its research universe. All issues eligible for universe inclusion must have at least three active trading days within the last 12 calendar days. Company domicile is defined based on the Entity “ISO Country” code as defined by FactSet.

#### Sector Classification

All companies in MarketGrader’s coverage universe are classified according to FactSet’s classification system.

Universe Exclusions (All Regions):

- Companies with zero trailing 12-month revenue and a total market capitalization below USD 500 million.
- Companies with zero annual revenue and a total market capitalization below USD 500 million.
- Companies with zero trailing 12-month revenue and annual sales older than two years prior to the universe evaluation date.
- Companies missing trailing 12-month revenue and annual revenue from most recently reported financial statement.
- Companies with ratings in less than 22 of MarketGrader’s 24 fundamental indicators
- Companies whose most recently filed financials statements are over 12 months old from the date of the universe evaluation date.

#### Review Frequency

The MarketGrader research coverage universe is reviewed on a weekly basis, following the last weekly close of equity markets in the U.S.

## **MarketGrader's Global Indexes' Overall Universe**

The index universe is comprised of all common stocks in MarketGrader's research coverage universe that have received a MarketGrader overall grade consistently for at least six months. For companies listed in countries with quarterly financial filing requirements, only companies that have reported their most recent financials within the last six months are eligible to the MarketGrader Indexes. For companies listed in countries with semi-annual financial filing requirements, only companies that have reported their most recent financials within the last 12 months are eligible.

## **MarketGrader's Global Indexes' Investable Universe**

Companies must have a minimum total market capitalization of USD 50 million on the index selection date in order to be eligible. Additionally, a company's free float market capitalization as a percentage of total market capitalization must be at least 10% on the index selection date in order to be eligible.

For North American Indexes, all companies must have a minimum total market capitalization of USD 100 million and a minimum three-month average daily trading volume of USD 2 million. Exceptions to these rules are addressed on a case by case basis in each Index's individual rulebook.

For Chinese Indexes (companies domiciled in China and listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange, the New York Stock Exchange or NASDAQ), all companies must have a minimum total market capitalization of USD 200 million; a minimum three-month average daily trading volume of USD 2 million; and a minimum 12-month aggregate trading volume of USD 50 million.

For Indian Indexes (companies listed on the National Stock Exchange, Bombay Stock Exchange or on U.S. National Exchanges), all companies must have a minimum total market capitalization of USD 150 million and a minimum three-month average daily trading volume of USD 2 million.

For Indexes comprised of companies in Emerging Economies, as defined by the International Monetary Fund's World Economic Outlook Database, companies must have a minimum three-month daily trading volume of USD 1 million or USD 500,000, as defined on a case by case basis in each Index's rulebook.

For Indexes comprised of companies in Developed Economies, as defined by the International Monetary Fund's World Economic Outlook Database, companies must have a minimum three-month daily trading volume of USD 2 million.

Please refer to individual Index rulebooks for specific eligibility and inclusion requirements.

## The MarketGrader Developed Markets (ex-Australia) Health Care Index

### Introduction

The MarketGrader Developed Markets (ex-Australia) Health Care Index consists of 50 fundamentally sound companies in the Health Care sector that are domiciled in any of the Eligible Developed Markets defined below. The index constituents are selected on the basis of the strength of their fundamentals as measured by the MarketGrader Score (0 to 100) and their total market capitalization.

### Eligible Developed Market Countries

Austria	Ireland	Norway
Belgium	Israel	Portugal
Canada	Italy	Singapore
Denmark	Japan	Spain
Finland	Korea	Sweden
France	Luxembourg	Switzerland
Germany	Netherlands	United Kingdom
Hong Kong SAR	New Zealand	United States

### Index Names and Index Symbols

#### Price Return Series

- Index Name: MarketGrader Developed Markets (ex-Australia) Health Care Index – Price Return
- Short Name: MG DM (ex-Aus) Health Care
- Symbols: MGHCAUPR (AUD); MGHCUSPR (USD)

#### Net Total Return Series

- Index Name: MarketGrader Developed Markets (ex-Australia) Health Care Index – Net Total Return
- Short Name: MG DM (ex-Aus) Health Care NTR
- Symbols: MGHCAUNR (AUD); MGHCUSNR (USD)

#### Gross Total Return Series

- Index Name: MarketGrader Developed Markets (ex-Australia) Health Care Index – Gross Total Return
- Short Name: MG DM (ex-Aus) Health Care TR
- Symbols: MGHCAUTR (AUD); MGHCUSTR (USD)

### Base Date and Base Index Level

The Index's base date is December 31, 2007. Its base level is 100.

### Currency

The Index is calculated in US Dollars and Australian Dollars.

### Investable Universe

All companies in the Health Care sector that are domiciled and listed in any Eligible Developed Market. All companies must have a minimum market capitalization of USD 500 million and a minimum three-month average daily trading volume of USD 2 million.

### Selection of Index Constituents

MarketGrader calculates daily 24 fundamental indicators for every company in its Coverage Universe across four categories: Growth, Value, Profitability and Cash Flow. These 24 indicators are aggregated into a final MarketGrader Score that ranges from zero (0) to one hundred (100). On the Index's rebalance selection date, MarketGrader selects the companies in the underlying Investable Universe with the 100 highest MarketGrader Scores, provided that at least 60 are domiciled in the United States.

MarketGrader then selects, from the 100 companies with the highest MG Score, the 50 largest companies based on total market capitalization.

If a company is an existing Index constituent but its market capitalization ranks in the top 55 stocks in the group of top 100 companies by MarketGrader Score, the company will remain in the index (the "Buffer" rule).

If an index constituent is dual-listed in more than one of the exchanges in the underlying Investable Universe and the non-constituent issue has a higher MarketGrader Score than the Index constituent, the Index constituent will remain in the Index and not be replaced by the other issue even if the latter has a higher MarketGrader Score.

If two issues of the same company with a dual-listing are eligible for selection to the Index based on their MarketGrader Score (provided that one is not already an Index constituent), MarketGrader will select the issue with the higher three-month average daily trading volume (in USD) for inclusion in the Index.

### Index Selection, Reconstitution and Rebalance Dates

The Index is reconstituted and rebalanced after the close of trading on U.S. exchanges on the third Friday of March and September. The Index constituents are selected on the

Tuesday of the previous week, or ten (10) calendar days prior to the reconstitution and rebalance date.

#### Constituent Weighting Methodology

All Index constituents are equally weighted at each semi-annual reconstitution and rebalance.

#### Index Calculation Agent

Refinitiv Indices.

#### Index Calculation and Corporate Actions

The Index is calculated according to the Refinitiv Global Equity Indices divisor driven methodology, available [here](#). Corporate actions are handled according to the Refinitiv Equity Indices Corporate Action Methodology, available [here](#).