

Index Methodology Guide for the FactSet Global Aerospace Index™

Version 1.0 – June 9, 2021

Table of Contents

Index Methodology Guide for the FactSet Global Aerospace Index™	1
Table of Contents	2
Index Introduction and Objective	3
Index Construction	4
Index Maintenance	6
Index Calculation and Data Correction	6
Additional Information.....	7

Index Introduction and Objective

1.1 Index Overview

The FactSet Global Aerospace Index is an equity benchmark designed to track the performance of companies developing and manufacturing aerospace-related products, services, and technologies, targeting both commercial civilian and national defense applications.

The FactSet Global Aerospace Index is a float adjusted, modified market capitalization weighted index reconstituted and rebalanced semi-annually.

The FactSet Global Aerospace Index is calculated and maintained by Solactive AG – the Calculation Agent – based on a methodology developed by FactSet. It is calculated on a price return, total return and net total return basis in U.S. Dollar (USD). The price return, total return, and net total return values of the index are calculated on an end-of-day basis, from Monday to Friday 1:00 a.m. to 10:50p.m. CET (Central European Time). Index values are distributed via various data channels and market data vendors, including the price marketing services of Boerse Stuttgart AG. Index return values of the index may also be obtained from FactSet upon request.

Whenever possible, constituent changes to the index are announced five business days before becoming effective.

1.2 Inception Date and Base Value

The Index Inception Date was February 23, 2018 with a base value of 100.00. The inception date refers to when the first back-tested index value was calculated. The back test is based on a similar methodology used to calculate the index when it was officially launched on June 9, 2021.

1.3 Index Valuation Days

Index Valuation Days are business days, Monday to Friday.

1.4 Commencement Date

The index commencement date was June 09, 2021. Commencement date refers to when the index was officially launched with end-of-day calculations.

1.5 Reconstitution and Rebalance Schedule

The index is reconstituted and rebalanced semi-annually after the close of the 4th Friday of February and August each year (“Reconstitution Day” and “Rebalance Day”).

If any of the existing or new index components is not trading on Reconstitution Day/Rebalance Day due to an exchange holiday, the reconstitution/rebalance is moved to the next business day.

The data used to reconstitute and rebalance the index is as of the close of 2nd Friday of February and August (“Selection Day”). Subsequent adjustment to the index composition may be made to account for corporate actions that occur between the Selection Day and the Reconstitution Day or Rebalance Day.

Index Construction

2.1 Constituent Selection and Weighting Schema

1. The securities are primarily listed in one of the following exchanges: Australia Stock Exchange, Deutsche Borse Xetra, Euronext Amsterdam, Euronext Brussels, Euronext Dublin, Euronext Lisbon, Euronext Paris, Hong Kong Exchange, JASDAQ, Korea Stock Exchange, London Stock Exchange, Madrid Stock Exchange, NASDAQ, New York Stock Exchange, New Zealand Stock Exchange, NYSE American, OMX Nordic Copenhagen, OMX Nordic Helsinki, OMX Nordic Stockholm, Oslo Stock Exchange, Singapore Exchange, SIX Swiss Exchange, Tel Aviv Stock Exchange, Tokyo Stock Exchange, Toronto Stock Exchange, Vienna Stock Exchange.
2. The securities are common stocks, ADR, GDR.
3. For all securities except those listed in Korea Stock Exchange, they must have minimum market capitalization of US\$300 million and one-month ADTV (Average Daily Trading Value) of US\$1 million; for Korea securities, they must have minimum market capitalization of US\$100 million and one-month ADTV (Average Daily Trading Value) of US\$1 million.
4. The securities are classified to one of the following 8 FactSet Revere Business Industry Classification Systems Focus (“RBICS Focus”) Levels, where each Industry is assigned to one of the 2 Aerospace categories: Defense Space Equipment Services and Non-defense Space Equipment and Services.

RBICS Level Name	RBICS Level ID	Aerospace Category
Defense Manufacturing (Level 4)*	40101015	Defense Space Equipment and Services
Diversified Aerospace and Defense Manufacturing (Level 4)	40101020	Defense Space Equipment and Services
Aerospace Equipment (Level 4)	40101010	Non-defense Space Equipment and Services
Satellite Equipment (Level 4)	55151530	Non-defense Space Equipment and Services
Diversified Satellite Services (Level 4)	60101015	Non-defense Space Equipment and Services
International Satellite Services (Level 4)	60101020	Non-defense Space Equipment and Services
United States Satellite Services (Level 4)	60101045	Non-defense Space Equipment and Services
Mapping/Geographic Information Systems Software (Level 5)	552015102510	Non-defense Space Equipment and Services

*Small Arms and Security Manufacturing (4010101515) in RBICS L5 is excluded.

5. If a company has multiple share classes, only include the most liquid issue based on the highest one-month ADTV on Selection Day
6. Compute an Aerospace Theme Exposure Score for each security based on Aerospace-related keywords using natural language processing (NLP) techniques, where the scores ranged from 1 to 100, with 1 denoting lowest exposure and 100 the highest. Include securities ranked in the top 75% Space Theme Exposure Score.
7. Compute Return on Equity (ROE) and Operating Margins (OP Margin) for each security. Rank and assign a ranking score to each security based on its ROE and OP Margin, respectively. Compute a Composite Score by summing up the securities' ROE and OP Margin ranking score, and include securities ranked in the top 75%. Securities without ROE or OP Margin are automatically assigned the lowest ranking score.
8. Weight remaining securities by their **float adjusted market capitalization**, with individual securities capped at no more than 5%. In addition, aggregate weight of the Aerospace Category "Defense Space Equipment and Services" should not exceed 50% of the index weight.

In addition to the above selection schema, FactSet may at its discretion and in consultation with index licensee, modify one or more selection criterion to ensure relevant and timely capture of the theme. Whenever possible, any modifications shall be announced 30 days prior to Reconstitution Day.

2.2 Index Return Formulas

The price, total and net total returns levels of the index are calculated using the following formulas.

$$I_{(t)} = \frac{\sum_{i=1}^n S_{i(t)} \times P_{i(t)} \times FX_{i(t)}}{D_{(t)}}$$

where:

$I_{(t)}$ = Index value on Index Valuation Day (t)

$D_{(t)}$ = Divisor on Index Valuation Day (t)

n = Number of stocks in the index

$P_{i(t)}$ = Closing price of stock (i) on Index Valuation Day (t)

$S_{i(t)}$ = Number of allocated shares of stock (i) on Index Valuation Day (t)

$FX_{i(t)}$ = WM Reuters FX rate published at 4:00pm London time on Index Valuation Day (t) required to convert closing price of stock (i) in index currency, USD

and on Inception Date, where (t) = 0, the initial divisor is calculated as follows:

$$D_{(0)} = \frac{\sum_{i=1}^n S_{i(0)} \times P_{i(0)} \times FX_{i(0)}}{I_{(0)}}$$

where:

$I_{(0)}$ = Price Returns Index value on Index Inception Date

$D_{(0)}$ = Divisor on Index Inception Date

n = Number of stocks in the index on Index Inception Date
 $P_{i(0)}$ = Price of stock (i) on Index Inception Date
 $S_{i(0)}$ = Number of allocated shares of stock (i) on Index Inception Date
 $FX_{i(t)}$ = WM Reuters FX rate published at 4:00pm London time on Index Valuation Day (t) required to convert closing price of stock (i) in index currency, USD.

Allocated shares (“S”) are the number of shares required for each constituent such that all constituents are weighted equally. Allocated shares (“S”) would be adjusted accordingly to account for Corporate Actions.

Net total return is calculated to account for the effect of tax withholding on dividends by adjusting dividend taken out due to tax payment.

2.3 Index Divisor Adjustments

From time to time, the index divisor is adjusted to account for corporate actions that could distort index value and continuity using the following formula:

$$D_{(t+1)} = D_{(t)} \times \frac{\sum_{i=1}^n AS_{i(t+1)} \times AP_{i(t+1)} \times FX_{i(t)}}{\sum_{i=1}^n S_{i(t)} \times P_{i(t)} \times FX_{i(t)}}$$

where:

$D_{(t+1)}$ = Divisor for Index Valuation Day (t+1) after CA and rebal adjustment
 $D_{(t)}$ = Divisor for Index Valuation Day (t)
 $AP_{i(t+1)}$ = Adjusted price of stock (i) calculated for open on Index Valuation Day (t+1) after CA adjustment
 $P_{i(t)}$ = Closing price of stock (i) on Index Valuation Day (t)
 $S_{i(t)}$ = Number of allocated shares of stock (i) on Index Valuation Day (t)
 $AS_{i(t+1)}$ = Adjusted number of allocated shares of stock (i) for open on Index Valuation Day (t+1) after CA adjustment.

Divisor adjustments are generally implemented on the date the corporate action becomes effective, such that for example, the ex-dividend date rather than the payment date is used to time the divisor adjustment.

Find below a detailed calculation for AP, AS, and S in case of corporate actions and rebalancing.

$AP_{i(t)}$ = Adjusted price of stock (i) is determined for the open on Index Valuation Day (t) shall mean:

- If index constituent opens ex-date in respect of the corporate action, then $AP_{i(t)}$ is determined as per Corporate Action Adjustment Section.
- Otherwise

$$AP_{i(t)} = P_{i(t-1)}$$

$S_{i(t)}$ = Number of allocated shares of stock (i) on Index Valuation date (t) is determined as

$$S_{i(t)} = AS_{i(t)}$$

$AS_{i(t)}$ = Adjusted number of allocated shares of stock (i) for open on Index Valuation Day (t) after CA adjustment is determined as:

- If such day opens immediately following the Rebalancing Day (t-1) and if:

- index constituent opens ex-date in respect to corporate action, then $AS_{i(t)}$ is determined as per Corporate Action Adjustment Section with $S_{i(t-1)}$ replace with:

$$S_{i(t-1)} = \frac{I_{(t-1)} \times Weight_{i(t-1)}}{P_{i(t-1)} \times FX_{i(t-1)}}$$

- index constituent does not opens ex-date in respect to corporate action, then $AS_{i(t)}$ is determined as:

$$AS_{i(t)} = \frac{I_{(t-1)} \times Weight_{i(t-1)}}{P_{i(t-1)} \times FX_{i(t-1)}}$$

- On any other day:

- index constituent opens ex-date in respect to corporate action, then $AS_{i(t)}$ is determined as per Corporate Action Adjustment Section
- Otherwise:

$$AS_{i(t)} = S_{i(t-1)}$$

where $Weight_{i(t-1)}$ is determined as per Section 2.1.

2.4 Corporate Action Adjustments

Special Cash Dividend:

$$AP_{i,t} = P_{i,t-1} - D_{i,t} \times FX_{d,t-1}$$

Where

t = Index Valuation Date (t) is ex-date for corporate action.

$D_{i,t}$ = Dividend amount corresponding to stock (i) with ex-date (t).

$FX_{d,t-1}$ = WM Reuters FX rate published at 4:00pm London time fixing on Index Valuation Day (t) required to convert dividend amount in underlying stock currency, USD.

Spin-off Adjustment

If an index constituent (i.e. the parent company) distributes part of its business into a spun-off company, the spun-off company will be added to the Index according to the transaction terms on the ex-date.

The parent company will remain in the Index with unchanged calculation parameters. The spun-off company will remain in the Index until the next ordinary rebalancing.

The spun-off company will be added to the Index with an open price of zero on ex-date.

If the spun-off company does not start to trade on the effective date (i.e. ex-date), a theoretical price for the spun-off company will be implemented (**see the equation below**) as a fixed price until it commences trading, from which time official prices will be used.

$$P_{f(t)} = [P_{i(t-1)} - AP_{i(t)}] \times \text{Share Ratio}_{i(t)} \times FX_{j,t-1}$$

Where

$P_{i(t-1)}$ = Closing price of Parent Company on Index Valuation Date (t-1).

$AP_{i(t)}$ = Open price of Parent Company on Index Valuation Date (t).

$P_{f(t)}$ = Price of Spun-off Company on Index Valuation Date (t).

$FX_{j,t-1}$ = WM Reuters FX rate published at 4:00pm London time fixing on Index Valuation Day (t) required to convert dividend amount in underlying stock currency, USD.

Rights Issue Adjustment

$$AP_{j,t} = \frac{P_{j,t-1} + C_{j,t} \times \text{Share Ratio}_{j,t}}{1 + \text{Share Ratio}_{j,t}}$$

$$AS_{j,t} = S_{j,t-1} \times (1 + \text{Share Ratio}_{j,t})$$

Where

$C_{j,t}$ = Official tender price.

Stock Splits Adjustment

$$AP_{j,t} = \frac{P_{j,t-1}}{\text{Share Ratio}_{j,t}}$$

$$AS_{j,t} = S_{j,t-1} \times \text{Share Ratio}_{j,t}$$

Stock distribution

$$AP_{j,t} = P_{j,t-1} \times \frac{1}{1 + \text{Share Ratio}_{j,t}}$$

$$AS_{j,t} = S_{j,t-1} \times (1 + \text{Share Ratio}_{j,t})$$

Index Maintenance

Constituent changes may occur between review periods due to corporate events that disqualify their eligibility for index inclusion. Adjustments to corporate events are described below:

3.1 Corporate Actions – Delisting and Fast Entry

A constituent is removed immediately after being delisted from its primary markets.

3.2 Corporate Actions – Merger/Acquisition and Fast Entry

If a merger or acquisition results in one constituent acquiring another, the acquiring company remains a constituent, and the acquired company is removed. If a non-constituent acquires a constituent, the acquired constituent is removed. If a constituent acquires a non-constituent, the acquiring constituent remains a constituent.

3.3 Corporate Actions – Spin-off

If a constituent spins or splits off a portion of its business, both the spun-off companies and the parent companies (with the highest market value relative to the spun-off companies) will be kept in the index, and be considered for removal from the index at the next Reconstitution or Rebalance Day should they fail to meet the eligibility criteria in Section 2.1.

3.4 Corporate Actions – Bankruptcy

If a constituent is delisted after bankruptcy, it will be removed immediately with a price of 0 from the index.

Index Calculation and Data Correction

4.1 Index Calculation

Price, Total Return, and Net Total Return values for the FactSet Global Aerospace Index are calculated by Solactive AG. The price, total and net total return values are calculated on a continuous and end-of-day basis by using the trading price for each component in the index from relevant exchanges and markets. Index values are rounded to 2 decimal places and divisors are rounded to 6 decimal places.

If trading in a stock is suspended prior to the market opening, the stock's adjusted closing price from the previous day will be used in the index calculation until trading commences. If trading in a stock is suspended while the relevant market is open, the official closing price published by relevant exchange for that stock will be used for all subsequent index calculations until trading resumes.

In case of exceptional market conditions disrupting normal closing auction, or causing official closing prices not being available, Solactive and FactSet reserve the right to utilize other prices in the calculation of the official closing level.

4.2 Data Correction

Incorrect index constituent data, corporate action data, or index divisors will be corrected upon detection. If such errors are discovered within five days of occurrence, they will be corrected retroactively on the day of discovery. If discovered after five days, corrective actions will be decided based on the errors' significance and feasibility of a correction.

4.3 Decision Making in Undocumented Events

A FactSet Index Committee consisting of select employees of FactSet Research Systems Inc. is responsible for amending rules as documented in the Index Methodology Guide due to undocumented or extraordinary events.

Additional Information

5.1 Contact Information

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