



Syntax

Syntax[®] Stratified Indices

**Australia 300 Index
Methodology**

April 2022

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I. Syntax Australia 300 Indices

This methodology covers the following Syntax Indices:

Index Name	Index Ticker	Currency	Return Type
Syntax Australia 300	SA300	Australian Dollar (AUD)	Price Return
Syntax Australia 300 (TR)	SA300T	Australian Dollar (AUD)	Gross Total Return
Syntax Australia 300 (Net)	SA300N	Australian Dollar (AUD)	Net Total Return

II. Index Objectives

The Syntax Australia 300 Index (the “Index”) measures the float-adjusted market capitalization-weighted performance of 300 of the largest and most liquid securities trading on the Australian Securities Exchange (ASX).

III. Basket Construction

Universe:

The Syntax Australia 300 Index begins with the universe of all common equity and preferred stocks trading on the ASX, except for those preferred stocks of a fixed-income nature (the “Universe”). No other listing venues are eligible for the Index.

The Universe includes both primary and secondary listings on the ASX. Therefore, the Index can include entities that are domiciled or registered overseas and those that have their primary listing on a trading venue other than the ASX.

Hybrid securities, such as convertible bonds, preferred stock that provides a guaranteed return, and warrants are not eligible for inclusion in the Index.

Listed Investment Companies that hold portfolios of other securities are not eligible for inclusion in the Index.

Selection:

The float-adjusted market capitalizations used for screening and ranking the securities from the Universe are security-specific and, for securities of entities not incorporated in Australia, include only the Australian-owned shares.

Syntax uses liquidity screening to ensure that Index constituents are regularly traded. To be eligible to join the Index, a security must have a Relative Liquidity value of at least 30%. Existing Index constituents must have Relative Liquidity of at least 15% to be eligible to remain in the Index across the rebalancing.

Relative Liquidity is defined as:

$$\text{Relative Liquidity} = \frac{\text{Stock Median Liquidity}}{\text{Market Liquidity}}$$

Where:

- Stock Median Liquidity is the 125-day median volume in AUD for each stock divided by the 125-day average float-adjusted market capitalization.
- Market Liquidity is determined using the float-adjusted market capitalization-weighted average of the stock median liquidities of the 500 largest securities by float-adjusted market capitalization trading on the ASX.

Eligible securities that pass the liquidity screen are ranked by their float-adjusted market capitalizations. At each reconstitution, securities are selected based on rank using the following buffer system to reduce turnover:

- 1) Securities ranked in the top 274 are included while those below rank 326 are excluded.
- 2) Securities between ranks 275 and 325 that are already held by the Index are included, and securities in that range not already held in the Index are enrolled until the total number of Index constituents is 300.
- 3) Should the number of securities exceed 300 after including those between rank 275 and 325 already held by the Index, constituents are removed in order of ascending float-adjusted market capitalization until the total number of constituents is 300.

Weighting:

The securities selected as the Index constituents shall be weighted by their float-adjusted market capitalizations, which include only the Australian-owned shares for any constituent entities not incorporated in Australia.

IV. Index Information

Launch Date: 28 December 2021

First Value Date: 29 September 2000

Base Date: 29 September 2000

Base Value: 1000

Currency: AUD

Exchange Rate: Refinitiv Spot

Index Calendar: ASX

Index Trading
Hours: ASX

Reconstitution and rebalancing: The Syntax Australia 300 Index reconstitutes and rebalances after the close on the third Friday of March and September, using reference data from after the close of the Wednesday before the second Friday of March and September. Therefore, the actual weight of each constituent at the rebalance differs from the target weight due to market movements.

Additions and Deletions: Please see Sections III and VI for information regarding additions and deletions at a reconstitution or rebalancing.

Additions between rebalances only occur from spin-offs and M&A activity.

Deletions can occur between rebalances from mergers and acquisitions activity, spin-offs, suspensions or bankruptcies. Stocks deleted because of M&A activity are removed on the ex-date using the closing price.

V. Corporate Action Methodology

The Syntax Australia 300 Index is calculated by Refinitiv. Calculations are performed in accordance with the following methodology and constituents are weighted by float-adjusted market capitalization. Please see important disclaimers at the end of this document.

Corporate actions (including stock splits, stock dividends, spin-offs and rights offerings) that impact the Syntax Index constituents are applied after the close of trading on the day prior to the ex-date. Share changes resulting from exchange offers are made on the ex-date.

Spin-offs: Spun-off entities are included in the Index if they meet at least one of the following criteria:

1. The spin-off has a market capitalization of at least \$900 million USD and is available through the ASX.
2. The initial Syntax announcement of the spin-off is less than 48 hours from the effective date, and the spin-off is available through the ASX.

If the spin-off is not available to the Index, such as if the spin-off does not trade on the ASX, then the parent has a price adjustment and the divisor is adjusted.

If the spin-off is included, it is handled in one of three ways:

1. If the spin-off is already in the Index, then the parent has a price adjustment, and the existing spin-off shares are increased according to the ratio of the transaction. The event is market cap neutral, so the divisor is not adjusted.
2. If the spin-off is not already in the Index, then the parent has a price adjustment, and the spin-off is added with a share count derived from the ratio received from the parent. The day after the effective date, the spin-off is removed from the Index and the divisor is adjusted.
3. If the spin-off is not available to the Index and the initial Syntax announcement was less than 48 hours from the effective date, then a pseudo instrument is created and held by the Index for one business day. The value of the pseudo instrument is equal to the terms defined in the announcement. After one business day the pseudo

instrument is removed from the Index and the divisor is adjusted.

Dividends: Dividends are reinvested in the Index after the close on the ex-date.

Special Dividends: Special Dividends are generally treated like a cash dividend, unless the payment is greater than 20% of the Close Price and it is treated as a Capital Return. When treated as a Capital Return, the price of the stock making the special dividend payment is reduced by the per-share special dividend amount after the close of trading on the day before the dividend ex-date. The divisor is adjusted.

Rights Offering: Rights issues are only enacted if they are in-the-money. In the event of an enacted rights issue, the price is adjusted for the value of the right before the open on the ex-date, and the shares are increased by the rights ratio. The divisor is adjusted.

Share Changes: Changes in the number of shares outstanding, typically due to share repurchases, tenders, or offerings, will not be reflected in the Index.

Bankruptcy: The removal of a bankrupt constituent is done at the same time and with the same closing price in all Refinitiv-calculated Syntax Indices. If the security is trading on its usual or primary exchange at the close of the day it is removed, that price is used. If the security is suspended from trading, the last available price is used. The divisor is adjusted.

Suspensions and Halts from Trading: Securities that remain suspended or halted for 60 or more days are reviewed for possible removal. In some exceptional situations securities may be dropped earlier, such as if the company is in the process of filing for bankruptcy.

Delistings: The Index will generally drop a stock on the expected delisting day according to the notification from the ASX. Where the delisting is due to an M&A event, the target company may be dropped once an offer to acquire the stock has been deemed unconditional. The divisor is adjusted.

Bonus Issues, Stock Splits, and Reverse Stock Splits:	For bonus issues, stock splits, and reverse stock splits, the number of shares included in the Index will be adjusted in accordance with the ratio given in the corporate action. Since such events will not change the value of the company included in the Index, the divisor will not be adjusted when such corporate actions occur.
Mergers and Acquisitions:	<p>Acquired constituents are deleted from the Index on the ex-date using the closing price, and the divisor is adjusted if needed. In the event of a stock acquisition or a cash-and-stock acquisition where the acquirer is in the Index and the stock payment amounts to at least 10% of the acquirer's shares outstanding, the stock terms of the event will be reinvested back into the acquirer.</p> <p>If the initial announcement by Syntax is less than 48 hours before the ex-date of the transaction, then the transaction will be handled as follows:</p> <ol style="list-style-type: none"><li data-bbox="565 898 1383 1087">1. If the target's shareholders receive stock in a company not available to the Index, the stock will be added to the Index. The added stock will then be dropped from the Index after providing two full days' notification of the deletion. The divisor is adjusted.<li data-bbox="565 1094 1383 1199">2. If the target's shareholders receive a cash payout, the target security's deletion from the Index will be postponed to allow for two days' notification.

VI. Weight Generation and Rebalance

The Syntax Australia 300 Index is a float-adjusted market capitalization-weighted index.

The Index rebalances after the close on the third Friday of March and September, using reference data from after the close of the Wednesday before the second Friday of March and September.

VII. Index Calculations

The Syntax Australia 300 Index is calculated by Refinitiv. Below is a summary of the basic math used to calculate Syntax Indices.

P_i = price of shares of stock i in the Index

Q_i = quantity of shares of stock i in the Index

E_i = foreign exchange rate between AUD and the currency of stock i

$Shares_i$ = number of shares of stock i in the Index

The Index value is the Index market value divided by the Index divisor:

$$Index\ Value = \frac{Index\ Market\ Value}{Divisor}$$

$$Index\ Market\ Value = \sum_i P_i * Shares_i * E_i$$

The Index level can be written as:

$$Index\ Level = \frac{\sum_i P_i * Q_i}{Divisor}$$

To maintain the continuity of the Index, it is also necessary to adjust the divisor at each rebalance:

$$Index\ Level\ (before\ rebalance) = Index\ Level\ (after\ rebalance)$$

Which means that:

$$Divisor\ (after\ rebalance) = \frac{Index\ Market\ Value\ (after\ rebalance)}{Index\ Value\ (before\ rebalance)}$$

Calculating the Divisor Adjustment:

As described in Section V, some corporate actions will trigger a divisor adjustment in the Index.

A divisor is a factor by which the total market value of an index is divided to give a scaled, and more easily handled, number.

The divisor allows continuous measurement of market valuation because it ensures that the value of the Index does not fluctuate across events that do not stem from the performance of the Index.

The following formula expands the original formula for calculating the Index Level to show the stock, r , which is being removed separately.

$$Index\ Level_{t-1} = \frac{(\sum_i P_i * Q_i) + P_r Q_r}{Divisor_{t-1}}$$

Similarly, rewriting the Index Level after the addition of stock s to show that stock separately:

$$Index\ Level_t = \frac{(\sum_i P_i * Q_i) + P_s Q_s}{Divisor_t}$$

Where $t-1$ is the moment immediately preceding the deletion of stock r and t is the moment immediately after the addition of stock s . By design, $IndexLevel_{t-1}$ exactly equals $IndexLevel_t$. This allows us to rewrite the above as:

$$\frac{(\sum_i P_i * Q_i) + P_r Q_r}{Divisor_{t-1}} = Index\ Level = \frac{(\sum_i P_i * Q_i) + P_s Q_s}{Divisor_t}$$

Let the left-most and right-most numerators be the Market Value, MV , of the Index at times $t-1$ and t .

MV_t , MV_{t-1} , and $Divisor_{t-1}$ are all known values. Therefore, we can rearrange the formula to calculate the value of the new divisor:

$$Divisor_t = (Divisor_{t-1}) * \frac{MV_t}{MV_{t-1}}$$

Equivalently, we can write the new divisor as the old divisor plus the percentage change in index value from the event. Rearranging the formula for the Index Value:

$$Divisor = \frac{MV}{Index\ Level}$$

Let CMV be the change in market value from the addition and deletion. Because the Index Level will not change, the new divisor must be:

$$Divisor_{New} = \frac{MV + CMV}{Index\ Level}$$

Because $MV/IndexLevel$ is the divisor, we can rewrite this as:

$$Divisor_{New} = Divisor_{Old} + \frac{CMV}{Index\ Level}$$

VIII. Index Dissemination

The Syntax Australia 300 Index is calculated by Refinitiv. Daily levels can be found via Refinitiv.

IX. Disclaimers

The Syntax Australia 300 Index is the property of Syntax LLC, which has contracted with Refinitiv US LLC (“Refinitiv”) to calculate and maintain the Index. The Index is not sponsored by Refinitiv or its affiliates or its third-party licensors.

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