

The MarketGrader US Core Indexes

Rulebook and Methodology Guide

2025



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 in 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), Real Estate Investment Trusts (REITs), and Business Development Companies (BDCs). LPs, REITs, and BDCs are ineligible for inclusion to some indexes on a case-by-case basis, as listed in each individual Index's rulebook. 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. All 'CHESS Depositary Interests (CDIs)' are excluded from MarketGrader's coverage of securities listed on ASX (Australian Securities Exchange).

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 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 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 US Core Indexes

The MarketGrader US Core Indexes are US equity benchmarks designed to track the most fundamentally sound companies that are domiciled in the United States or approved territories¹, whose shares have a primary listing on US exchanges, and are classified according to MarketGrader's mapping of large, mid, and small capitalization companies in the US equity market. The constituents of the MarketGrader US Core Indexes are selected based on the strength of their fundamentals as measured by the MarketGrader Overall Grade (0-100) along with a series of criteria and rules defined in this document. The family of MarketGrader US Core Indexes includes a series of "parent" indexes, defined as those with more at least 100 constituents, and a series of "select" indexes, defined as those with less than 100 constituents.

The MarketGrader US Core Indexes Parent series includes:

The MarketGrader US Large Cap Core Index (variable count, approximately 120 constituents)
The MarketGrader US Large Cap 100 Index – Style Neutral
The MarketGrader US Large Cap 200 Index – Style Neutral
The MarketGrader US Mid Cap Core 100 Index
The MarketGrader US Small Cap Core 100 Index
The MarketGrader US Small Cap (ex-Mid) 100 Index

The MarketGrader US Core Indexes Select series includes:

The MarketGrader US Large Cap Select 50 Index
The MarketGrader US Mid Cap Select 50 Index
The MarketGrader US Small Cap Select 50 Index

MarketGrader Size Mapping of the US Equity Universe

MarketGrader uses market cap percentile coverages to determine the size category for every publicly traded company in the US equity universe. These size categories serve as "proxy" size universes for index selection when controlling for size.

Every six months, on the first Tuesday of March and September, the following steps are implemented prior to every MarketGrader Indexes Rebalance and Reconstitution:

1. Select the largest 4000 companies by market cap from the US equity universe.
2. Sort the companies from the largest market cap to the smallest.
3. Designate the companies that make up 87.5% of the cumulative market cap as "Large." This is the starting MG US Large Cap proxy universe.
4. Designate the companies that make up 85% to 95% of the cumulative market cap as "Mid." This is the starting MG US Mid Cap proxy universe.
5. Designate the companies that make up 90% to 98% of the cumulative market cap as "Small." This is the starting MG US Small Cap proxy universe.
6. These size universes will serve as the first selection universes for the three size categories.
7. Two size sub-categories are added to the proxy universe to allow limited overlap between large and mid-cap stocks and between mid-cap and small cap stocks, as shown in Figure 1.

¹ Approved territories refer to countries of domicile in the developed markets, provided that the companies from such territories selected to a MarketGrader US Core Index have US national stock exchanges as their primary exchange listing. Such companies are classified as "US stocks" by MarketGrader.

Figure 1. MarketGrader Size Mapping Categories

Cumulative Market Cap Range	Proxy Size Universe
+0% to -85%	Large Only
+85% to -87.5%	Large & Mid
+87.5% to -90.0%	Mid Only
+90% to -95%	Mid & Small
+95% to -98%	Small Only

Every six months, prior to every reconstitution and rebalance, the methodology using the cumulative market cap cut-offs to determine the proxy size universes is implemented. Additionally, the following size buffers are also implemented:

- Mid cap buffer: A mid cap company in the prior period that moves to the bottom 10% of the “large cap only” universe in terms of market cap rankings will continue being part of the mid cap proxy universe (in addition to the large cap proxy universe).
- Small cap buffer: A small cap company in the prior period that moves to the bottom 10% of the “mid cap only” universe in terms of market cap rankings will continue being part of the small cap proxy universe (in addition to the mid cap proxy universe).

Notes on mappings:

- The large cap and small cap proxy universes are mutually exclusive (no overlap).
- Companies in the large cap proxy universe that fall in the 85% to 87.5% cumulative market cap range are also part of the mid cap proxy universe.
- Mid cap companies from the prior selection that fall in the bottom 10% by market cap of the large cap only companies will also continue being part of the mid cap category.
- Companies in the small cap proxy universe that fall in the 90% to 95% cumulative market cap range are also part of the mid cap proxy universe.
- Small cap companies from the prior selection that fall in the bottom 10% by market cap of the mid cap only companies will also continue being part of the small cap category.

The MarketGrader US Large Cap Core Index

Introduction

The MarketGrader US Large Cap Core Index is a variable count index that seeks to outperform the S&P 500 Index. It consists of all companies in MarketGrader's Large Cap Proxy Equity Universe with a MarketGrader Overall Grade of at least 60 (based on MarketGrader's 0-100 grading scale). This is a variable count index.

Base Date and Base Index Level

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

Investable Universe

MarketGrader's US Large Cap proxy size universe (0% to 87.5% of cumulative market cap).

Selection of Index Constituents

On the Index's rebalance selection date, MarketGrader selects all companies in the Investable Universe with a MarketGrader Overall Grade of at least 60, which then become the Index's constituents for the following six-month period. The total number of index constituents varies at each period.

Index Selection, Reconstitution and Rebalance Dates

The Index is reconstituted and rebalanced after the close of trading on the New York Stock Exchange, on the third Friday of March and September. The Index constituents are selected approximately two and a half weeks before the effective rebalance date, on the first Tuesday of the month.

Constituent Weighting Methodology

Index constituents are weighted based on their free float market capitalization at each semi-annual reconstitution and rebalance.

The MarketGrader US Mid Cap Core 100 Index

Introduction

The MarketGrader US Mid Cap Core 100 Index consists of 100 fundamentally sound companies that are domiciled in the US or in approved territories², whose shares are primarily listed on US exchanges, and that fall within MarketGrader's Mid Cap Proxy Equity Universe. The Index constituents are selected based on the strength of their fundamentals as measured by the MarketGrader Overall Grade (0-100), the MarketGrader Earnings Yield Score (0 to 100), and each company's market capitalization rank. The Index's objective is to outperform the S&P Mid Cap 400 Index.

Base Date and Base Index Level

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

Investable Universe

MarketGrader's US Mid Cap proxy size universe (85% to 95% of cumulative market cap).

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 Overall Grade that ranges from zero (0) to one hundred (100). Additionally, MarketGrader also calculates a proprietary Earnings Yield Score, which combines every company's Earnings Yield with forward earnings estimates, and ranks all companies in the underlying investable universe based on a combination of all earnings yield-related metrics.

On the Index's rebalance selection date, MarketGrader excludes from the underlying Investable Universe all companies with a MarketGrader Score below 50 and Earnings Yield below 1%. From the remaining companies it selects the largest 400 by total market capitalization and, lastly, from that group it selects the 100 companies with the highest MarketGrader Earnings Yield Scores, which then become the Index's constituents for the following six-month period.

Index Selection, Reconstitution and Rebalance Dates

The Index is reconstituted and rebalanced after the close of trading on the New York Stock Exchange, on the third Friday of March and September. The Index constituents are selected approximately two and a half weeks before the effective rebalance date, on the first Tuesday of the month.

Constituent Weighting Methodology

MarketGrader calculates two versions of the Index with different weighting schemes. In one version, Index constituents are weighted based on their free float market capitalization and in the other version, Index constituents are equally weighted.

² Approved territories refer to countries of domicile in the developed markets, provided that the companies from such territories selected to a MarketGrader US Core Index have US national stock exchanges as their primary exchange listing. Such companies are classified as "US stocks" by MarketGrader.

The MarketGrader US Small Cap Core 100 Index

Introduction

The MarketGrader US Small Cap Core 100 Index consists of 100 fundamentally sound companies that are domiciled in the US or in approved territories³, whose shares are primarily listed on US exchanges, and that fall within MarketGrader's Small Cap Proxy Equity Universe. The Index constituents are selected based on the strength of their fundamentals as measured by the MarketGrader Overall Grade (0-100), the MarketGrader Earnings Yield Score (0 to 100), and each company's market capitalization rank. The Index's objective is to outperform the S&P Small Cap 600 Index.

Base Date and Base Index Level

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

Investable Universe

MarketGrader's US Small Cap proxy size universe (90% to 98% of cumulative market cap).

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 Overall Grade that ranges from zero (0) to one hundred (100). Additionally, MarketGrader also calculates a proprietary Earnings Yield Score, which combines every company's Earnings Yield with forward earnings estimates, and ranks all companies in the underlying investable universe based on a combination of all earnings yield-related metrics.

On the Index's rebalance selection date, MarketGrader excludes from the underlying Investable Universe all companies with a MarketGrader Score below 50 and Earnings Yield below 1%. From the remaining companies it selects the largest 400 by total market capitalization and, lastly, from that group it selects the 100 companies with the highest MarketGrader Earnings Yield Scores, which then become the Index's constituents for the following six-month period.

Index Selection, Reconstitution and Rebalance Dates

The Index is reconstituted and rebalanced after the close of trading on the New York Stock Exchange, on the third Friday of March and September. The Index constituents are selected approximately two and a half weeks before the effective rebalance date, on the first Tuesday of the month.

Constituent Weighting Methodology

MarketGrader calculates two versions of the Index with different weighting schemes. In one version, Index constituents are weighted based on their free float market capitalization and in the other version, Index constituents are equally weighted.

³ Approved territories refer to countries of domicile in the developed markets, provided that the companies from such territories selected to a MarketGrader US Core Index have US national stock exchanges as their primary exchange listing. Such companies are classified as "US stocks" by MarketGrader.

The MarketGrader US Large Cap Select 50 Index

Introduction

The MarketGrader US Large Cap Select 50 Index consists of the 50 largest companies from its parent index, the MarketGrader US Large Cap Core Index. The Index's objective is to outperform the S&P 500 Index.

Base Date and Base Index Level

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

Investable Universe

The constituents of its parent index, the MarketGrader US Large Cap Core Index.

Selection of Index Constituents

On the Index's rebalance selection date, the 50 largest companies by total market capitalization from the parent Index (the MarketGrader US Large Cap Core Index) are selected, which then become the Index's constituents for the following six-month period.

Starting with the September 2024 reconstitution, the 50 largest companies from the parent Index are selected in a manner that allows for a minimum investment across the entire portfolio of \$15,000 based on a minimum purchase of four tenths (4/10) of a share of any Index constituent.

Constituent Weighting Methodology

The Index is re-weighted at each Rebalance date according to the Index weights that were determined on the Selection date. The Index weights are based on each constituent's Free Float Market Capitalization on the Selection date, with the total Index weight per constituent capped at 10%. In other words, no Index constituent will carry a weight that exceeds 10% of the total Index value on the Rebalance date.

The MarketGrader US Mid Cap Select 50 Index

Introduction

The MarketGrader US Small Cap Select 50 Index consists of the 50 largest companies from its parent index, the MarketGrader US Mid Cap Core 100 Index. The Index's objective is to outperform the S&P Mid Cap 400 Index.

Base Date and Base Index Level

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

Investable Universe

The constituents of its parent index, the MarketGrader US Mid Cap Core 100 Index.

Selection of Index Constituents

On the Index's rebalance selection date, the 50 largest companies by total market capitalization from the parent Index (the MarketGrader US Mid Cap Core 100 Index) are selected, which then become the Index's constituents for the following six-month period.

Starting with the September 2024 reconstitution, the 50 largest companies from the parent Index are selected in a manner that allows for a minimum investment across the entire portfolio of \$15,000 based on a minimum purchase of four tenths (4/10) of a share of any Index constituent.

Constituent Weighting Methodology

The Index is re-weighted at each Rebalance date according to the Index weights that were determined on the Selection date. The Index weights are based on each constituent's Free Float Market Capitalization on the Selection date.

The MarketGrader US Small Cap Select 50 Index

Introduction

The MarketGrader US Small Cap Select 50 Index consists of the 50 largest companies from its parent index, the MarketGrader US Small Cap Core 100 Index. The Index's objective is to outperform the S&P 500 Index.

Base Date and Base Index Level

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

Investable Universe

The constituents of its parent index, the MarketGrader US Small Cap Core 100 Index.

Selection of Index Constituents

On the Index's rebalance selection date, the 50 largest companies by total market capitalization from the parent Index (the MarketGrader US Small Cap Core 100 Index) are selected, which then become the Index's constituents for the following six-month period.

Starting with the September 2024 reconstitution, the 50 largest companies from the parent Index are selected in a manner that allows for a minimum investment across the entire portfolio of \$15,000 based on a minimum purchase of four tenths (4/10) of a share of any Index constituent.

Constituent Weighting Methodology

The Index is re-weighted at each Rebalance date according to the Index weights that were determined on the Selection date. The Index weights are based on each constituent's Free Float Market Capitalization on the Selection date.

Management of Corporate Actions for the MarketGrader US Core Indexes

Deletions

Any stock deleted from the index because of a corporate action such as a merger, acquisition, spin-off, delisting or bankruptcy is not replaced by any new stock until the following rebalancing, except for the specific cases mentioned below. The total number of stocks in the index is reduced by one every time a company is deleted. The index stock component total is then restored during the following rebalancing. If, in the circumstances specifically mentioned below, the deletion of a stock from the index (wholly or partially) involves replacement of the stock with its equivalent cash value, the relevant cash value will form a component of the index until the next rebalance effective date at which time it will be replaced as an index component.

Delisting

A stock that is delisted from trading is removed from the index at the closing price on its last trading day. If the delisted stock does not trade on the relevant exchange between the delisting announcement and the next rebalance effective date, the stock is deleted from the index with a presumed market value of zero.

Bankruptcy

Immediately upon a company's bankruptcy announcement, the stock is removed from the index at the closing price of the first trading day following the announcement. If the stock does not trade on the relevant exchange between the bankruptcy announcement and the next rebalance effective date, the stock is deleted from the index with a presumed market value of zero.

Merger or Acquisition

Cash transaction when the target company is an index component: upon a merger/acquisition being declared wholly unconditional and having received all the necessary regulatory approvals, the target stock is deleted from the index with a presumed market value per unit of stock equal to the cash value of the consideration provided for the target stock (the "cash value") and a cash component will be introduced into the index in place of each unit of target stock with a value equal to the cash value and remain in the index until the next rebalance effective date.

Stock-for-stock transaction when the target company is an index component: upon a merger/acquisition being declared wholly unconditional and having received all the necessary regulatory approvals, the target stock is replaced by the acquiring stock (if the acquiring stock is traded on a major U.S. exchange) on the stock's last trading day, at the acquisition price. If the acquiring stock is not traded on a major U.S. exchange, the target stock will be deleted from the index with a presumed market value per unit equal to the target stock's closing price on its last trading day (the "last traded price") and a cash component will be introduced into the index in place of each unit of target stock with a value equal to the last traded price and will remain in the index until the next rebalance effective date.

Cash and stock transaction when the target company is an index component: upon a merger/acquisition being declared wholly unconditional and having received all the necessary regulatory approvals, the rules described above for cash transactions will apply with respect to that portion of the consideration provided for the target stock that consists of cash and the rules described above for stock-for-stock transactions will apply with respect to that portion of the consideration provided for the target stock that consists of acquiring stock.

Splits

Splits are implemented immediately and effective the next trading day. The number of different stocks in the index is not changed.

Dividends

Stock: If dividend is paid in the form of additional stock in the same company, the new shares are included in the index. If the dividend is paid in the form of stock of another company, a cash component will be introduced into the index equal to the cash value of the dividend and will remain in the index until the next rebalance effective date.

Cash: When a company pays a cash dividend, the total return version of the index is adjusted according to the amount paid in by index constituent companies. When a company issues a dividend, the price of the equity drops in the exact amount of the per share dividend amount. Leaving aside subsequent market movements of the equity price, the direct impact of a dividend upon an index is a drop in the price of the index. However, the total return index is adjusted for the issuance of dividends by reinvesting them. In most cases, the gross dividend amount will be reinvested on the ex-date in the Total Return version of the index.

Spin-Offs

The closing price of the index constituent is adjusted by the value of the spin-off on the day prior to the spin-off becoming effective. A cash component will be introduced into the index equal to the cash value of the spun-off stock and will remain in the index until the next rebalance effective date.

Rights Offering

The closing price of the index constituent is adjusted by the theoretical intrinsic value of the spin-off on the last trading day cum-rights. [A cash component will be introduced into the index equal in value to such theoretical intrinsic value and remain in the index until the next rebalance effective date.]