

## **GUIDELINE**

### **Solactive – B-BRE Tel Aviv 125 Low Volatility High Dividends Index**

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This document contains the underlying principles and regulations regarding the structure and the operating of the Solactive – B-BRE Tel Aviv 125 Low Volatility High Dividends Index. Solactive AG shall make every effort to implement regulations. Solactive AG does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the Index nor the Index value at any certain point in time nor in any other respect. The Index is merely calculated and published by Solactive AG and it strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for Solactive AG – irrespective of possible obligations to issuers – to advise third parties, including investors and/or financial intermediaries, of any errors in the Index. The publication of the Index by Solactive AG is no recommendation for capital investment and does not contain any assurance or opinion of Solactive AG regarding a possible investment in a financial instrument based on this Index.

# Introduction

This document is to be used as a guideline with regard to the composition, calculation and management of the Index. Any changes made to the guideline are initiated by the Committee specified in section 1.6. The Index is calculated and published by Solactive AG. The name “Solactive” is copyrighted.

## 1 Index specifications

The Solactive – B-BRE Tel Aviv 125 Low Volatility High Dividends Index (the “Index”) is an Index of Solactive AG and is calculated and distributed by Solactive AG.

The index tracks the price movement of shares selected from the TA-125 Index (formerly TA-100 Index) that historically had a high dividend yield and exhibited low volatility.

The Index is a total return index [GTR].

The Index is published in ILS.

### 1.1 Short name and ISIN

The Index is distributed under ISIN DE000SLA2RX5; the WKN is SLA2RX. The Index is published in Reuters under the code < .SOBBTAHD > and in Bloomberg under the code < SOBBTAHD Index>.

### 1.2 Initial value

The Index is based on 100 at the close of trading on the start date, 29/12/2011.

### 1.3 Distribution

The Index is published via the price marketing services of Boerse Stuttgart AG and is distributed to all affiliated vendors. Each vendor decides on an individual basis as to whether he will distribute/display the Index via his information systems.

### 1.4 Prices and calculation frequency

The price of the Index is calculated on each Business Day based on the prices on the respective Exchanges on which the Index Components are listed. The most recent prices of all Index Components are used. Prices of Index Components not listed in the Index Currency are translated using spot foreign exchange rates quoted by Reuters. Should there be no current price available on Reuters, the most recent price or the Trading Price on Reuters for the preceding Trading Day is used in the calculation.

The Index is calculated every Business Day from 9:00am to 6:00pm, IST. In the event that data cannot be provided to Reuters or to the pricing services of Boerse Stuttgart AG the Index cannot be distributed.

## 1.5 Weighting

On each Adjustment Day each Index Component of the Index is weighted according to the following:

Initially, the selected index components are weighted according to their inverse historical volatility:

$$w_i = \frac{1/Histo\_Vol(i)}{\sum_{j=1}^K 1/Histo\_Vol(j)}$$

Where:

K = number of stocks in the index

These weights are then updated so that companies that have a history of being high dividend payers get a weight increase.

For this purpose, the latest 8 index selections are considered (i.e. a window of 4 years or 8 periods, respectively).

All selected index components are divided into 2 groups, group 1 and group 2.

Group 1 consists of stocks that have been index components for at least 4 periods before the current period. These stocks receive an increase in weight.

Group 2 consists of stocks that have been index components for less than 4 periods.

### Weight of Group 1:

If the stock has been a member for 4 periods:

$$\text{new\_weight} = 1.3 * w_i$$

If the stock has been a member for more than 4 periods:

$$\text{new\_weight} = 2.0 * w_i$$

### Weight of Group 2:

N = number of stocks in group 1

$$\text{remaining weight} = 1 - \sum_{i=1}^N \text{new\_weight}[i]$$

M = number of stocks in group 2

$$\text{new\_weight} = \text{remaining weight} * w_i / \sum_{i=1}^M w[i]$$

If remaining weight < M\*1.0%, then the remaining weight is M\*1.0%.

The weights of stocks in group 1 is then capped to (1-M\*1.0%).

## Industry capping

The weight of no single industry, using FactSet's industry classification, shall exceed 35%. For the purpose of this index, Real Estate Development and Real Estate Investment Trusts are considered as one industry. Any excess weight will be redistributed proportionally among all other stocks.

## 1.6 Decision-making bodies

A Committee composed of staff from Solactive AG and B-BRE is responsible for decisions regarding the composition of the Index as well as any amendments to the rules (in this document referred to as the "Committee" or the "Index Committee"). The future composition of the Index is determined by the Committee on the Selection Days according to the procedure outlined in 2.1 of this document. The Committee shall also decide about the future composition of the Index if any Extraordinary Events should occur and the implementation of any necessary adjustments. Members of the Committee can recommend changes to the guideline and submit them to the Committee for approval.

## 1.7 Publication

All specifications and information relevant for calculating the Index are made available on the <http://www.solactive.de> web page and sub-pages.

## 1.8 Historical data

Historical data will be maintained from the launch of the Index on February 9, 2017. Backtested historical data is available from December 29, 2011. Index data before the launch of the TA-125 Index is based on the TA-100 Index.

## 1.9 Licensing

Licences to use the Index as the underlying value for derivative instruments are issued to stock exchanges, banks, financial services providers and investment houses by Solactive AG.

# 2 Composition of the Index

## 2.1 Selection of the Index Components

The initial composition of the Index as well as any ongoing adjustment is based on the following rules:

- From all stocks in the universe the 50 stocks with the highest dividend yield are selected, calculated as the trailing 12 month regular dividends divided by the price as of the selection day.\*
- From these 50 stocks the 25 stocks with the lowest trailing 12 month volatility are selected.
- The index consists of these 25 selected stocks.

\* If there are less than 50 dividend paying stocks in the last 12 month, all dividend paying stocks are considered, as long as their number is greater than the number of stocks in the index. If the number is smaller than the number of stocks in the index, the index committee will determine appropriate steps to maintain the index.

## 2.2 Ordinary adjustment

The composition of the Index is ordinarily adjusted two times a year on the first Thursday of May and November, provided that this day is a trading day on both the Tel Aviv Stock Exchange and the New York Stock Exchange. If this day is not a trading day on either of these exchanges, the index adjustment is postponed to the next day that is a trading day on both exchanges. The composition of the Index is reviewed on the Selection Day, which is 5 Days before the rebalancing day or the previous business day if this day happens to be a non-Business Day.

The first adjustment will be made in February 2017 based on the Trading Prices of the Index Components on the Adjustment Day.

Solactive AG shall publish any changes made to the Index composition on the Selection Day and consequently with sufficient notice before the Adjustment Day.

## 2.3 Extraordinary adjustment

The Committee may, but is under no obligation to, substitute an Index Component with a successor Index Component upon the occurrence of an Extraordinary Event as determined by Solactive AG. Any such successor Index Component shall be included in the Index after the close of business on the day when an Extraordinary Event has been determined by Solactive AG.

# 3 Calculation of the Index

## 3.1 Index formula

The Index Value on any Business Day is calculated in accordance with the following formula for all stocks i:

$$Index_t = \frac{\sum_{i=1}^n p_{i,t} * f_{i,t} * x_{i,t}}{D_t}$$

with:

$x_{i,t}$  = Number of Index Shares of the Index Component i on Trading Day t

$p_{i,t}$  = Price of Index Component i on Trading Day t

$f_{i,t}$  = Foreign exchange rate to convert the Price of Index Component i on Trading Day t into the Index Currency

$D_t$  = Divisor on Business Day t

The initial Divisor on the Start Date is calculated according to the following formula (in case the Index Level at the Start Date is set to 100):

$$D_t = \frac{\sum_{i=1}^n (p_{i,t} * f_{i,t} * x_{i,t})}{\text{Initial Index Level}}$$

After the close of trading on each Adjustment Day t the new Divisor is calculated as follows:

$$D_{t+1} = \frac{\sum_{i=1}^n (p_{i,t} * f_{i,t} * x_{i,t})}{\text{Index}_t}$$

This Divisor is valid starting the immediately following Business Day.

### 3.2 Accuracy

The value of the Index will be rounded to 2 decimal places.

The Number of Index Shares of the Index Components will be rounded to integers.

Divisors will be rounded to six decimal places.

### 3.3 Adjustments

The Indices are adjusted for systematic changes in prices due to Corporate Actions as soon as these become effective. This requires the new Number of Index Shares of the affected Index Component and the Divisor to be calculated on an ex-ante basis, i.e. based on close prices of the index components as of close prior to the respective ex date.

The Index is adjusted for distributions, capital increases, rights issues, splits, par value conversions and capital reductions.

This procedure ensures that the first ex quote can be properly reflected in the calculation of the Index. This ex-ante procedure assumes the general acceptance of the Index calculation formula as well as open access to the parameter values used. The calculation parameters are provided by Solactive AG.

### 3.4 Dividends and other distributions

Regular Cash Distributions and Special distributions are included in the Gross Return indices (Only Special Distributions are included in the Price Return indices). Distributions cause an adjustment of the Divisor. The new Divisor is calculated as follows:

$$D_{t+1} = D_t * \frac{\sum_{i=1}^n (p_{i,t} * f_{i,t} * x_{i,t}) - (y_{i,t} * g_{i,t} * x_{i,t})}{\sum_{i=1}^n (p_{i,t} * f_{i,t} * x_{i,t})}$$

with

$p_{i,t}$  = Price of Index Component i on Trading Day t

$f_{i,t}$  = Foreign exchange rate to convert the Price of Index Component i on Trading Day t into the Index Currency

$x_{i,t}$  = Number of Index Shares of the Index Component i on Trading Day t

$y_{i,t}$  = Distribution of Index Component i with ex date t+1 multiplied by the Dividend Correction Factor

$g_{i,t}$  = Foreign exchange rate to convert the amount of the distribution of Index Component i on Trading Day t into the Index Currency

$D_t$  = Divisor on Trading Day t

$D_{t+1}$  = Divisor on Trading Day t+1

### 3.5 Corporate actions

#### 3.5.1 Principles

Following the announcement by a company included in the Index of the terms and conditions of a corporate action the Index Calculator determines whether such corporate action has a dilution, concentration or other effect on the price of the Index Component.

If this should be the case the Index Calculator shall make the necessary adjustments to the affected Index Component and/or the formula for calculating the Index and/or to other terms and conditions of this document that he deems appropriate in order to take into account the dilution, concentration or other effect and shall determine the date on which this adjustment shall come into effect.

Amongst other things the Index Calculator can take into account the adjustment made by an Affiliated Exchange as a result of the corporate action with regard to option and futures contracts on the respective share traded on this Affiliated Exchange.

#### 3.5.2 Capital increases

In the case of capital increases with ex date t+1 the Index is adjusted as follows:



$$x_{i,t+1} = x_{i,t} * (1 + B)$$

$x_{i,t+1}$  = Number of Index Shares of Index Component i on Trading Day t+1

$x_{i,t}$  = Number of Index Shares of Index Component i on Trading Day t

B = Shares received for every share held

$$p_{i,t+1} = \frac{p_{i,t} + s * B}{1 + B}$$

with:

$p_{i,t}$  = Price of Index Component i on Trading Day t

$p_{i,t+1}$  = Hypothetical Price of Index Component i on Trading Day t+1

s = Subscription Price in the Index Component currency

$$D_{t+1} = D_t * \frac{\sum_{i=1}^n (p_{i,t} * f_{i,t} * x_{i,t}) + \sum_{i=1}^n [(p_{i,t+1} * f_{i,t} * x_{i,t+1}) - (p_{i,t} * f_{i,t} * x_{i,t})]}{\sum_{i=1}^n (p_{i,t} * f_{i,t} * x_{i,t})}$$

with

$p_{i,t}$  = Price of Index Component i on Trading Day t

$f_{i,t}$  = Foreign exchange rate to convert the Price of Index Component i on Trading Day t into the Index Currency

$x_{i,t}$  = Number of Index Shares of the Index Component i on Trading Day t

$p_{i,t+1}$  = Hypothetical price of Index Component i on Trading Day t+1

$x_{i,t+1}$  = Number of Index Shares of the Index Component i on Trading Day t+1

$D_t$  = Divisor on Trading Day t

$D_{t+1}$  = Divisor on Trading Day t+1

### 3.5.3 Capital reductions

In the case of capital reduction with ex date t+1 the Index Shares is adjusted as follows:

$$x_{i,t+1} = x_{i,t} * (1 - B)$$

$x_{i,t+1}$  = Number of Index Shares of Index Component i on Trading Day t+1

$x_{i,t}$  = Number of Index Shares of Index Component i on Trading Day t

B = Shares reduced for every share held

### 3.5.4 Share splits and par value conversions

In the case of share splits with ex date on Trading Day t+1 it is assumed that the prices change in ratio of the terms of the split. The new Number of Index Shares is calculated as follows:

$$x_{i,t+1} = x_{i,t} * B$$

$x_{i,t}$  = Number of Index Shares of the affected Index Component on Trading Day t

$x_{i,t+1}$  = Number of Index Shares of the affected Index Component on Trading Day t+1

B = Shares after the share split for every share held before the split

## 3.6 Miscellaneous

### 3.6.1 Recalculation

Solactive AG makes the greatest possible efforts to accurately calculate and maintain its indices. However, the occurrence of errors in the index determination process cannot be ruled out. In such cases Solactive AG adheres to its publicly available Correction Policy.

### 3.6.2 Market Disruption

In periods of market stress Solactive AG calculates its indices following predefined and exhaustive arrangements set out in its publicly available Disruption Policy.

## 4. Definitions

**“Index Universe”** in respect of a Selection Day are in general companies that are listed as members of the TA-125 Index in the TASE index announcement of the new TA-125 Index composition.

Should TASE data become inaccessible the index committee will use other data sources for the purpose of the selection.

**“Index Component”** is each share currently included in the Index.

**“Number of Shares”** is in respect of an Index Component and any given Business Day the number or fraction of shares included in the Index. It is calculated for any Index Component as the ratio of (A) the Percentage Weight of an Index Component multiplied by the Index value and (B) its Trading Price.

**“Percentage Weight”** of an Index Component on any given day can be calculated according to the following formula:  $(\text{Trading Price in Index Currency day (t)} * \text{Number of Shares day (t)} * 1/\text{Divisor day (t)}) / \text{Index value day (t)}$ .

**“Dividend Correction Factor”** is calculated as 1 minus the applicable withholding tax rate and/or other applicable tax rate currently prevalent in the respective country.

In particular an **“Extraordinary Event”** is

- a Merger
- a Takeover bid
- a delisting
- the Nationalisation of a company - Insolvency.

The Trading Price for this Index Component on the day the event came into effect is the last available market price for this Index Component quoted on the Exchange on the day the event came into effect (or, if a market price is not available for the day the event came into effect, the last available market price quoted on the Exchange on a day specified as appropriate by the Index Calculator), as determined by the Index Calculator, and this price is used as the Trading Price of the particular Index Component until the end of the day on which the composition of the Index is next set.

In the event of the Insolvency of an issuer of an Index Component the Index Component shall remain in the Index until the next Adjustment Day. As long as a market price for the affected Index Component is available on a Business Day, this shall be applied as the Trading Price for this Index Component on the relevant Business Day, as determined in each case by the Index Calculator. If a market price is not available on a Business Day the Trading Price for this Index Component is set to zero. The Committee may also decide to eliminate the respective Index Component at an earlier point in time prior to the next Adjustment Day. The procedure in this case is identical to an elimination due to and Extraordinary Event.

An Index Component is **“delisted”** if the Exchange announces pursuant to the Exchange regulations that the listing of, the trading in or the issuing of public quotes on the Index Component at the Exchange has ceased immediately or will cease at a later date, for whatever reason (provided delisting is not because of a Merger or a Takeover bid), and the Index Component is not immediately listed, traded or quoted again on an exchange, trading or listing system, acceptable to the Index Calculator,

**“Insolvency”** occurs with regard to an Index Component if (A) all shares of the respective issuer must be transferred to a trustee, liquidator, insolvency administrator or a similar public officer as result of a voluntary or compulsory liquidation, insolvency or winding-up proceedings or comparable proceedings affecting the issuer of

the Index Components or (B) the holders of the shares of this issuer are legally enjoined from transferring the shares.

A **“Takeover bid”** is a bid to acquire, an exchange offer or any other offer or act of a legal person that results in the related legal person acquiring as part of an exchange or otherwise more than 10% and less than 100% of the voting shares in circulation from the issuer of the Index Component or the right to acquire these shares, as determined by the Index Calculator based on notices submitted to public or self-regulatory authorities or other information considered by the Index Calculator to be relevant.

With regard to an Index Component a **“Merger”** is

- (i) a change in the security class or a conversion of this share class that results in a transfer or an ultimate definite obligation to transfer all the shares in circulation to another legal person,
- (ii) a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer to exchange shares with another legal person (except in a merger or share exchange under which the issuer of this Index Component is the acquiring or remaining company and which does not involve a change in security class or a conversion of all the shares in circulation),
- (iii) a takeover offer, exchange offer, other offer or another act of a legal person for the purposes of acquiring or otherwise obtaining from the issuer 100% of the shares issued that entails a transfer or the irrevocable obligation to transfer all shares (with the exception of shares which are held and controlled by the legal person), or
- (iv) a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer of the share or its subsidiaries to exchange shares with another legal person, whereby the issuer of the share is the acquiring or remaining company and it does not involve a change in the class or a conversion of the all shares issued, but the shares in circulation directly prior to such an event (except for shares held and controlled by the legal person) represent in total less than 50% of the shares in circulation directly subsequent to such an event.

The **“Merger Date”** is the date on which a Merger is concluded or the date specified by the Index Calculator if such a date cannot be determined under the law applicable to the Merger.

**“Nationalisation”** is a process whereby all shares or the majority of the assets of the issuer of the shares are nationalised or are expropriated or otherwise must be transferred to public bodies, authorities or institutions.

**“Exchange”** is, in respect of Index and every Index Component, the respective primary exchange where the Index Component has its primary listing. The Committee may decide to declare a different stock exchange the “Exchange” for trading reasons, even if the company is only listed there via a Stock Substitute.

**“Stock Substitute”** includes in particular American Depositary Receipts (ADR) and Global Depositary Receipts (GDR).

With regard to an Index component (subject to the provisions given above under “Extraordinary Events”) the **“Trading Price”** in respect of a Trading Day is the closing price on this Trading Day determined in accordance with the Exchange regulations. If the Exchange has no closing price for an Index Component, the Index Calculator shall determine the Trading Price and the time of the quote for the share in question in a manner that appears reasonable to him.

A **“Trading Day”** is in relation to the Index or an Index Component a Trading Day on the Exchange (or a day that would have been such a day if a market disruption had not occurred), excluding days on which trading may be ceased prior to the normal Exchange closing time. The Index Calculator is ultimately responsible as to whether a certain day is a Trading Day with regard to the Index or an Index Component or in any other connection relating to this document.

A **“Business Day”** is a day on which the Tel Aviv Stock Exchange is open for trading.

The **“Index Calculator”** is Solactive AG or any other appropriately appointed successor in this function.

The **“Index Currency”** is ILS.

**“Historical Volatility”** is the historical volatility over the last trailing 12 month prior to and including the Selection Day in local currency. It is provided by FactSet under the field “P\_Volatility”.

**“Adjustment Day”** is the first Thursday of May and November, provided that this day is a trading day on both the Tel Aviv Stock Exchange and the New York Stock Exchange. If this day is not a trading day on either of these exchanges, the index adjustment is postponed to the next day that is a trading day on both exchanges.

Before the launch of the Index the Adjustment Day was defined as the 15th of June and December or the next business day if these days happen to be non-Business Days.

Furthermore, it must be ensured that the new index composition is available to Solactive at least two business days prior to the index adjustment. Should the Tel Aviv Stock Exchange not have published the new index composition till then, the Adjustment Day will automatically be postponed relative to the availability of the new index composition, i.e. the index rebalancing will be two business days after the availability of the new composition.

**“Selection Day”** is the Day five Days before the Adjustment Day or the previous business day if this day happens to be a non-Business Day.

An **“Affiliated Exchange”** is with regard to an Index Component an exchange, a trading or quotation system on which options and futures contracts on the Index Component in question are traded, as specified by the Index Calculator.

A **“Market Disruption Event”** occurs if

1. one of the following events occurs or exists on a Trading Day prior to the opening quotation time for an Index Component:
  - A) trading is suspended or restricted (due to price movements that exceed the limits allowed by the Exchange or an Affiliated Exchange, or for other reasons):
    - 1.1. across the whole Exchange; or
    - 1.2. in options or futures contracts on or with regard to an Index Component or an Index Component that is quoted on an Affiliated Exchange; or
    - 1.3. on an Exchange or in a trading or quotation system (as determined by the Index Calculator) in which an Index Component is listed or quoted; or
  - B) an event that (in the assessment of the Index Calculator) generally disrupts and affects the opportunities of market participants to execute on the Exchange transactions in respect of a share included in the Index or to determine market values for a share included in the Index or to execute on an Affiliated Exchange transaction with regard to options and futures contracts on these shares or to determine market values for such options or futures contracts; or
2. trading on the Exchange or an Affiliated Exchange is ceased prior to the usual closing time (as defined below), unless the early cessation of trading is announced by the Exchange or Affiliated Exchange on this Trading Day at least one hour before
  - (aa) the actual closing time for normal trading on the Exchange or Affiliated Exchange on the Trading Day in question or, if earlier.
  - (bb) the closing time (if given) of the Exchange or Affiliated Exchange for the execution of orders at the time the quote is given.

**“Normal exchange closing time”** is the time at which the Exchange or an Affiliated Exchange is normally closed on working days without taking into account after-hours trading or other trading activities carried out outside the normal trading hours; or

3. a general moratorium is imposed on banking transactions in the country in which the Exchange is resident if the above-mentioned events are material in the assessment of the Index Calculator, whereby the Index Calculator makes his decision based on those circumstances that he considers reasonable and appropriate.

## **5 Appendix**

### **5.1 Contact data**

#### **Information regarding the Index concept**

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### **5.2 Calculation of the Index – change in calculation method**

The application by the Index Calculator of the method described in this document is final and binding. The Index Calculator shall apply the method described above for the composition and calculation of the Index. However it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require changes to be made to this method. The Index Calculator may also make changes to the terms and conditions of the Index and the method applied to calculate the Index, which he deems to be necessary and desirable in order to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The Index Calculator is not obliged to provide information on any such modifications or changes. Despite the modifications and changes the Index Calculator will take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.