

MARKET CONSULTATION NORTH AMERICAN MARIJUANA INDEX (NAMMAR) AND NORTH AMERICAN CANNABIS INDEX (NACANAB) METHODOLOGY

09 May 2019



Solactive AG has decided to conduct a Market Consultation with regard to changing the Methodologies of the NORTH AMERICAN MARIJUANA INDEX (NAMMAR) and the and NORTH AMERICAN CANNABIS INDEX (NACANAB) (the Indices) in the following points (ordered in accordance with the numbering of the affected sections):

Section 1.5 Weighting

The following weight capping will be added to the weighting scheme:

"Additionally, the weight of the companies that offer hydroponics supplies and equipment clearly aiming to increase efficiency in marijuana cultivation will be capped at 5%."

This capping is necessary to capture the marijuana focus better with the index. Hydroponic companies are very diverse and therefore, also very large. Hence, have much weight allocated to them. This misallocation shall be reduced.

Section 2.1 Selection of the Stock Index Components

1. Changing Minimum Average Monthly Daily Value Traded from 250,000 to 500,00 CAD for the index additions and from 200,000 to 400,000 CAD for existing index members

The increase in minimum value traded is an expression of the overall development of the market and its economic importance. In order to ensure an undiluted image of the market and to take account of the observed increase in liquidity, the liquidity criteria should be increased.

2. Inclusion of a "Fast Entry Rule":

"If a company is eligible for fast entry, all Index Components will be reweighted based on their Market Capitalization as of the close of trading on the Fast Entry Review Day subject to the constraints set forth in Section 1.5. The new Index composition will be implemented on the Fast Entry Adjustment Day. If another company becomes eligible for fast entry between the Fast Entry Review Day and the Fast Entry Adjustment Day, another reweighting of all Index Components takes place. The fast entry process in progress will be cancelled (for the avoidance of doubt, the new Index composition will not be implemented). A new fast entry process will be started on the new Fast Entry Review Day in respect of the additional company. The new Index composition will be implemented on the Fast Entry Adjustment Day corresponding to the new Fast Entry Review Day. The Index composition will comprise both, the company of the cancelled fast entry process as well as the company the current fast entry process."

In the context of the "Fast Entry Rule" some minor technical amendments to the current wording of the Index Guidelines will be necessary and the following definitions will be included in section 4:



"The "Fast Entry Review Day" is determined by Solactive and published in the announcement of the updated index composition. In general, the first day of trading of any new company that meets the criteria in Section 4 "Stock Index Universe", will be the Fast Entry Review Day. If information about/regarding the new company that meets the criteria in Section 4 "Stock Index Universe" is available to the Index Calculator after the new company's first day of trading, the Fast Entry Review Day might be postponed until Solactive has retrieved sufficient information.

The "Fast Entry Adjustment Day" is the eighth Business Days after the Fast Entry Review Day. If that day is not an Eligible Rebalancing Day, the Fast Entry Adjustment Day is the next Eligible Rebalancing Day."

The aim of the "Fast Entry Rule" is to reflect the appearance of new companies in the cannabis market promptly in the Indices, provided that the companies meet the selection criteria provided for in the Index Guidelines. This is intended to take account of the high dynamics in this market.

Section 4. Definitions:

Including "companies with investment focus on cannabis sector, provider of cannabis-based consumer products and companies which are providing software solutions primarily for the cannabis sector" in the Selection Criteria in Point 2 as well.

Due to the fact that the cannabis market has changed rapidly in the last years due to legalization in Canada and the US, there are investment companies that focus on investing/financing cannabis companies, companies that focus on consumer products and companies that focus on software solutions (in particular, but not limited to, for the consumer sector of the cannabis market), it makes sense to also capture them in the index.

Changes to the NORTH AMERICAN MARIJUANA INDEX (NAMMAR) and NORTH AMERICAN CANNABIS INDEX (NACANAB)

If you would like to share your thoughts with Solactive, please use this consultation form and provide us with your personal details and those of your organization.

Name	
Function	
Organization	
Email	
Phone	
Confidentiality (Y/N)	



Solactive is inviting all stakeholders and interested third parties to evaluate the proposed changes to the Methodology for the SOLACTIVE NORTH AMERICAN MARIJUANA INDEX (NAMMAR) and the NORTH AMERICAN CANNABIS INDEX (NACANAB) and welcomes any feedback on how this may affect and/or improve their use of Solactive indices.



Consultation Procedure

Stakeholders and third parties who are interested in participating in this Market Consultation, are invited to respond until *5th of June, 2019 cob.*

Please send your feedback via email to compliance@solactive.com, specifying "Market Consultation SOLACTIVE NORTH AMERICAN MARIJUANA INDEX (NAMMAR) and NORTH AMERICAN CANNABIS INDEX (NACANAB) Methodology" as the subject of the email, or

via postal mail to: Solactive AG
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Should you have any additional questions regarding the consultative question in particular, please do not hesitate to contact us via above email address.

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