

MARKET CONSULTATION CANNABIS INDEX – CHANGE OF METHODOLOGY

07 October 2022



Content of the Market Consultation

Solactive AG has decided to conduct a Market Consultation with regard to changing its Index Methodology of the following Indices (the 'Affected Indices'):

NAME	RIC	ISIN
Cannabis Index	.POTX	DE000SLA9PD6
Cannabis Index (PR)	.POTXPR	POTXPR000000
Cannabis Index (TR)	.POTXTR	POTXTR000000

Rationale for Market Consultation

Due to the significant drop in the cannabis market, which has a negative impact on the Average Daily Value Traded (ADV) and the Market Capitalization (MCAP) of the respective stocks/companies in particular, Solactive proposes to reduce the minimum thresholds in terms of Market Capitalization and Average Daily Value Traded for current index member to be selected to USD 35 million and USD 0.2 million respectively. This proposed adjustment shall help to avoid excessive turnover within the current volatile market environment and ensure a sufficient amount of index components. Additionally, companies which provide software and/or online marketplaces or platforms primarily for the cannabis sector should be added to the Index Universe due to their increasing importance within the cannabis value chain as reflected in Section 4.c).



Changes to the Index Guideline

Section 2.1 SELECTION OF THE INDEX COMPONENTS

From:

“[...]

2. the market capitalization is relaxed up to USD 50 million (USD 40 million for companies that are Index Components on the applicable Selection Day)

3. the average daily trading volume in the last three and/or six months is relaxed up to USD 0.5 million (USD 0.35 million for companies that are Index Components on the applicable Selection Day

[...]”

To:

“[...]

2. the market capitalization is relaxed up to USD 50 million (USD 35 million for companies that are Index Components on the applicable Selection Day)

3. the average daily trading volume in the last three and/or six months is relaxed up to USD 0.5 million (USD 0.2 million for companies that are Index Components on the applicable Selection Day

[...]”



Section 4 DEFINITIONS

From:

“[...]

- a) Either (i) derives at least 50% of its revenue from the cannabis industry value chain (“Pure-Play Companies”) or (ii) does not derive at least 50% of its revenue from the cannabis industry value chain, but is a pharmaceutical or biotechnology company and is expected to derive at least 50% of its revenue from the cannabis industry value chain in the future based on their primary business operations, and/or product pipeline (“Pre-Revenue Companies”). The cannabis industry value chain includes:
- a. The legal production, growth and distribution of marijuana, as well as extracts, derivative products or synthetic versions thereof.
 - b. The legal production, growth and distribution of hemp as well as extracts, derivative products or synthetic versions thereof.
 - c. Financial services (including insurance offerings, property leasing, financing, capital markets activity and investments) related to companies involved in the production, growth and distribution of cannabis.
 - d. Pharmaceutical applications of cannabis.
 - e. Cannabidiol (better known as CBD) and cannabis oil products, edibles, topicals, drinks and other products.
 - f. Products that may be used to consume cannabis.

[...]”



To:

"[...]

- a) Either (i) derives at least 50% of its revenue from the cannabis industry value chain ("Pure-Play Companies") or (ii) does not derive at least 50% of its revenue from the cannabis industry value chain, but is a pharmaceutical or biotechnology company and is expected to derive at least 50% of its revenue from the cannabis industry value chain in the future based on their primary business operations, and/or product pipeline ("Pre-Revenue Companies"). The cannabis industry value chain includes:
 - a. The legal production, growth and distribution of marijuana, as well as extracts, derivative products or synthetic versions thereof.
 - b. The legal production, growth and distribution of hemp, as well as extracts, derivative products or synthetic versions thereof.
 - c. Financial services (including insurance offerings, property leasing, financing, capital markets activity and investments) related to companies involved in the production, growth and distribution of cannabis.
 - d. Pharmaceutical applications of cannabis.
 - e. Cannabidiol (better known as CBD) and cannabis oil products, edibles, topicals, drinks and other products.
 - f. Products that may be used to consume cannabis.
 - g. The provision of software and/or online marketplaces or platforms primarily for the cannabis sector

[...]"

Defined terms used in this Market Consultation document, but not defined herein, have the meaning assigned to them in the respective index guideline of the Index.



Feedback on the proposed changes

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 Cannabis Index 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 October 20th, 2022 (cob).

Please send your feedback via email to compliance@solactive.com, specifying "Market Consultation Solactive Cannabis Index" as the subject of the email, or

via postal mail to: Solactive AG
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60327 Frankfurt am Main
Germany

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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