

Index Methodology Guide for the FactSet Oncology Index™

Version 1.0 – July 27, 2022

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Index Introduction and Objective

1.1 Index Overview

The FactSet Oncology Index is an equity benchmark designed to track the performance of companies involved in the research, development, and manufacturing of biopharmaceuticals for treating cancer.

The FactSet Oncology Index is a float-adjusted, modified market capitalization weighted index rebalanced on a quarterly basis.

The FactSet Oncology Index is calculated and maintained by Solactive AG based on a methodology developed by FactSet. It is calculated on a price and total return basis in U.S. dollars (USD). Both price and total returns of the index are calculated on an end-of-day basis, from Monday to Friday at 4:30 p.m. EST. Index values are distributed via various data channels and market data vendors, including the price marketing services of Boerse Stuttgart AG. End-of-day price and total return values of the index may also be obtained from FactSet upon request.

Whenever possible, constituent changes to the index are announced at least two trading days before becoming effective.

1.2 Inception Date and Base Value

The Index Inception Date was February 28, 2014 with a base value of 100.00. The inception date refers to when the first back-tested index value was calculated. The back test is based on a similar methodology used to calculate the index when it is officially launched on July 27, 2022.

1.3 Index Valuation Days

Index Valuation Days are business days, Monday to Friday, where constituents of the index are scheduled to be open for their regular trading session. The index will not be published on a day for which none of the constituents has a scheduled trading session.

1.4 Commencement Date

The index commencement date is July 27, 2022. Commencement date refers to when the index is officially launched with end-of-day calculations.

1.5 Reconstitution and Rebalance Schedule

The index is reconstituted annually after the close of the last business day in February each year ("Reconstitution Day"). Index constituent weights are rebalanced quarterly after the close of the last business day in February, May, August, and November each year ("Rebalance Day"). Initial public offerings (IPOs) will also be considered for index inclusion on Rebalance Day. If the Reconstitution Day or Rebalance Day is a holiday, it will occur on the next business day.

The data used to reconstitute and rebalance the index is as of the close of business on the second Friday in February, May, August, and November ("Selection Day"). Subsequent adjustment to the index composition may be made to account for corporate actions that occur between the Selection Day and the Reconstitution Day or Rebalance Day.

Index Construction

2.1 Constituent Selection and Weighting Schema

1. The securities are listed on one of the following 4 exchanges, including New York Stock Exchange (NYSE), NYSE American, NASDAQ, and U.S. OTC.
2. The securities are common stocks or ADRs.
3. The securities have a minimum float-adjusted market capitalization of U.S. \$100 million or greater, and three-month Average Daily Trading Value (ADTV) of U.S. \$1 million or greater on Selection Day.
4. Securities that are Master Limited Partnership (MLP), royalty trust, or Business Development Company (BDC) are excluded.
5. IPO securities newer than three months relative to Rebalance Day are excluded.
6. Securities are classified to the following FactSet RBICS Focus Level 6 Subindustries related to Oncology, and these are categorized as Pureplay Cancer Biopharmaceuticals:
 - Breast Cancer Biopharmaceuticals
 - Hematological Oncology Biopharmaceuticals
 - Other Oncology Biopharmaceuticals
7. Or the securities have an aggregated 20% or more revenues from one or more of the following FactSet RBICS Level 6 subindustries related to Oncology, not already captured in Step 6 (exclude those already selected from Step 6), have a minimum float-adjusted market capitalization of U.S. \$5 billion or greater; these are categorized as Ancillary Cancer Biopharmaceuticals:
 - Breast Cancer Biopharmaceuticals
 - Hematological Oncology Biopharmaceuticals
 - Other Oncology Biopharmaceuticals
8. If a company has multiple share classes, only include the most liquid issue based on the highest three-month ADTV on Selection Day.
9. Existing constituents in the Pureplay Cancer Biopharmaceuticals category may remain in the index if they have a minimum float-adjusted market capitalization of U.S. \$75 million or greater, and a three-month ADTV of U.S. \$0.75 million or greater, on Selection Day.

Existing constituents in the Ancillary Cancer Biopharmaceuticals Category may remain in the index if they have a minimum float-adjusted market capitalization of U.S. \$3.75 billion or greater, and a three-month ADTV of U.S. \$0.75 million or greater, on Selection Day.
10. Apply the float-adjusted modified market capitalization weighting methodology to securities that remain after steps 1 to 9 by dividing their individual float-adjusted market capitalization to the sum-total market capitalization of all securities.

The top 5 largest individual security weights are capped at 4.5% each, and all other remaining securities are capped at 3.0% each. Excess weight of any capped security is redistributed proportionally among remaining uncapped securities. If the above weighting schema is

impossible to fulfill, remove the 3.0% capping constraints on constituents outside of the top 5 largest constituents that are already capped at 4.5%.

2.2 Index Return Formulas

The price and total returns levels of the index are calculated using the following formulas.

$$I_{(t)} = \frac{\sum_{i=1}^n S_{i(t)} \times P_{i(t)}}{D_{(t)}}$$

where:

- $I_{(t)}$ = Index value on Index Valuation Day (t)
- $D_{(t)}$ = Divisor on Index Valuation Day (t)
- n = Number of stocks in the index
- $P_{i(t)}$ = Closing price of stock (i) on Index Valuation Day (t)
- $S_{i(t)}$ = Number of allocated shares of stock (i) on Index Valuation Day (t)

and on Inception Date, where (t) = 0, the initial divisor is calculated as follows:

$$D_{(0)} = \frac{\sum_{i=1}^n S_{i(0)} \times P_{i(0)}}{I_{(0)}}$$

where:

- $I_{(0)}$ = Price Returns Index value on Index Inception Date
- $D_{(0)}$ = Divisor on Index Inception Date
- n = Number of stocks in the index on Index Inception Date
- $P_{i(0)}$ = Price of stock (i) on Index Inception Date
- $S_{i(0)}$ = Number of allocated shares of stock (i) on Index Inception Date

Allocated shares (“S”) are the number of shares required for each constituent such that all constituents are float-adjusted modified market capitalization weighted. Allocated shares (“S”) would be adjusted accordingly to account for Corporate Actions.

2.3 Index Divisor Adjustments

From time to time, the index divisor is adjusted to account for corporate actions that could distort index value and continuity using the following formula:

$$D_{(t+1)} = D_{(t)} \times \frac{\sum_{i=1}^n AS_{i(t+1)} \times AP_{i(t+1)}}{\sum_{i=1}^n S_{i(t)} \times P_{i(t)}}$$

where:

- $D_{(t+1)}$ = Divisor for Index Valuation Day (t+1) after CA and rebal adjustment
- $D_{(t)}$ = Divisor for Index Valuation Day (t)
- $AP_{i(t+1)}$ = Adjusted price of stock (i) calculated for open on Index Valuation Day (t+1) after CA adjustment

- $P_{i(t)}$ = Closing price of stock (i) on Index Valuation Day (t)
 $S_{i(t)}$ = Number of allocated shares of stock (i) on Index Valuation Day (t)
 $AS_{i(t+1)}$ = Adjusted number of allocated shares of stock (i) for open on Index Valuation Day (t+1) after CA adjustment.

Divisor adjustments are generally implemented on the date the corporate action becomes effective, such that for example, the ex-dividend date rather than the payment date is used to time the divisor adjustment.

Find below a detailed calculation for AP, AS, and S in case of corporate actions and rebalancing.

$AP_{i(t)}$ = Adjusted price of stock (i) is determined for the open on Index Valuation Day (t) shall mean:

- If index constituent opens ex-date in respect of the corporate action, then $AP_{i(t)}$ is determined as per Corporate Action Adjustment Section.
- Otherwise

$$AP_{i(t)} = P_{i(t-1)}$$

$S_{i(t)}$ = Number of allocated shares of stock (i) on Index Valuation date (t) is determined as

$$S_{i(t)} = AS_{i(t)}$$

$AS_{i(t)}$ = Adjusted number of allocated shares of stock (i) for open on Index Valuation Day (t) after CA adjustment is determined as:

- If such day opens immediately following the Rebalancing Day (t-1) and if:
 - index constituent opens ex-date in respect to corporate action, then $AS_{i(t)}$ is determined as per Corporate Action Adjustment Section with $S_{i(t-1)}$ replace with:

$$S_{i(t-1)} = \frac{I_{(t-1)} \times Weight_{i(t-1)}}{P_{i(t-1)}}$$

- index constituent does not opens ex-date in respect to corporate action, then $AS_{i(t)}$ is determined as:

$$AS_{i(t)} = \frac{I_{(t-1)} \times Weight_{i(t-1)}}{P_{i(t-1)}}$$

- On any other day:

- index constituent opens ex-date in respect to corporate action, then $AS_{i(t)}$ is determined as per Corporate Action Adjustment Section
- Otherwise:

$$AS_{i(t)} = S_{i(t-1)}$$

where $Weight_{i(t-1)}$ is determined as per Section 2.1.

2.4 Corporate Action Adjustments

Special Cash Dividend:

$$AP_{i,t} = P_{i,t-1} - D_{i,t}$$

Where

t = Index Valuation Date (t) is ex-date for corporate action.

D_{i,t} = Dividend amount corresponding to stock (i) with ex-date (t).

Spin-off Adjustment

On effective date, the spun-off security will be added to Index with a Price of 0 and the price of the parent company will remain unchanged.

$$AP_{i,t,s} = P_{i,t-1} - P_{f,t-1} \times \text{Share Ratio}_{f,t}$$

Where

P_{f,t-1} = Closing price of Spin-off stock on Index Valuation Date (t-1).

Rights Issue Adjustment

$$AP_{j,t} = \frac{P_{j,t-1} + C_{j,t} \times \text{Share Ratio}_{j,t}}{1 + \text{Share Ratio}_{j,t}}$$
$$AS_{j,t} = S_{j,t-1} \times (1 + \text{Share Ratio}_{j,t})$$

Where

C_{j,t} = Official tender price.

Stock Splits Adjustment

$$AP_{j,t} = \frac{P_{j,t-1}}{\text{Share Ratio}_{j,t}}$$
$$AS_{j,t} = S_{j,t-1} \times \text{Share Ratio}_{j,t}$$

Stock distribution

$$AP_{j,t} = P_{j,t-1} \times \frac{1}{1 + \text{Share Ratio}_{j,t}}$$

$$AS_{j,t} = S_{j,t-1} \times (1 + \text{Share Ratio}_{j,t})$$

Index Maintenance

Constituent changes may occur between review periods due to corporate events that disqualify their eligibility for index inclusion. Adjustments to corporate events are described below:

3.1 Corporate Actions – Delisting

A constituent is removed immediately after being delisted from its primary markets.

3.2 Corporate Actions – Merger or Acquisition

If a merger or acquisition results in one constituent acquiring another, the acquiring company remains a constituent, and the acquired company is removed. If a non-constituent acquires a constituent, the acquired constituent is removed. If a constituent acquires a non-constituent, the acquiring constituent remains a constituent.

3.3 Corporate Actions – Spin-off

If a constituent spins or splits off a portion of its business, both the spun-off companies and the parent companies (with the highest market value relative to the spun-off companies) will be kept in the index, and be considered for removal from the index at the next Reconstitution or Rebalance Day should they fail to meet the eligibility criteria in Section 2.1.

3.4 Corporate Actions – Bankruptcy

If a constituent is delisted after bankruptcy, it will be removed immediately with a price of 0 from the index.

Index Calculation and Data Correction

4.1 Index Calculation

Price and total return values for the FactSet Oncology Index are calculated by Solactive AG. The price and total return values are calculated on an end-of-day basis by using the trading price for each component in the index from relevant exchanges and markets. Index values are rounded to 2 decimal places and divisors are rounded to 6 decimal places.

If trading in a stock is suspended prior to the market opening, the stock's adjusted closing price from the previous day will be used in the index calculation until trading commences. If trading in a stock is suspended while the relevant market is open, the official closing price published by relevant exchange for that stock will be used for all subsequent index calculations until trading resumes.

In case of exceptional market conditions disrupting normal closing auction, or causing official closing prices not being available, Solactive and FactSet reserve the right to utilize other prices in the calculation of the official closing level.

4.2 Data Correction

Incorrect index constituent data, corporate action data, or index divisors will be corrected upon detection. If such errors are discovered within five days of occurrence, they will be corrected retroactively on the day of discovery. If discovered after five days, corrective actions will be decided based on the errors' significance and feasibility of a correction.

4.3 Decision Making in Undocumented Events

A FactSet Index Committee consisting of select employees of FactSet Research Systems Inc. is responsible for amending rules as documented in the Index Methodology Guide due to undocumented or extraordinary events.

Additional Information

5.1 Contact Information

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5.2 Version History

Version	Release Date	Notes
Version 1.0	July 27, 2022	First release