



Kelly US Cash Flow Dividend Leaders Index (COWSETF) Rulebook

26 July 2023

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1 Index Objective

The Kelly US Cash Flow Dividend Leaders Index (the “Index”) comprises at least 40 and up to 100 large- to mid-cap publicly traded US companies exhibiting characteristics of high free cash flow and consistent dividend growth. The Index equally weights the constituent stocks that meet the most stringent criteria, and weights any remaining constituents in proportion to their free cash flow yields.

The Index uses company classification data structured in Syntax's proprietary Functional Information System (FIS), which draws primarily from audited annual reports (e.g., 10-K filings) and secondarily from unaudited documents (e.g., news articles, company websites) to allow granular groupings and comparisons of companies by the characteristics of their various product lines.

Information regarding the day-to-day calculation and maintenance of this and other Syntax Indices – as well as regarding the definitions of key terms used throughout this and other Syntax Index Rulebooks – is available in an accompanying document, the *Syntax Index Calculations & Adjustments Rulebook*.

2 Index Parameters

Launch Date: 26 July 2023

First Value Date: 21 September 2007

Index Calendar: US (NYSE)

Index Trading Hours: US (NYSE)

Corporate Action Handling: Equal-weight Methods

Regular Dividend Reinvestment: Pro rata Method

Reconstitution: Quarterly – each March, June, September and December (the “Reconstitution Months”)

Rebalancing: Quarterly – each March, June, September and December (the “Rebalancing Months”)

Snapshot Date: The last US trade date before the Rebalancing Month, at the market close

Weight Date: The last US trade date on or before the Wednesday immediately preceding the second Friday of the Rebalancing Month, at the market close

Rebalance Date: The last US trade date on or before the third Friday of the Rebalancing Month, at the market close

Effective Date: The first US trade date following the third Friday of the Rebalancing Month, at the market open

Inter-Basket Changes: Constituent entities are neither added nor removed in the Rebalancing except as compelled by reasons that could have triggered an Intra-Basket Change had they occurred between Rebalancings. The Constituent security or Constituent listing of a Constituent entity may be replaced in the Rebalancing by another that provides sufficiently equivalent exposure to the same Constituent entity, as per the Administrator's Expert Judgment. Additions and removals of all kinds may be made in the Reconstitution.

Intra-Basket Changes: Index Constituents may be removed at any time due to corporate actions or events severely affecting liquidity, business integrity, or the relevance of business engagement. Except where specified in the *Syntax Index Calculations & Adjustments Rulebook* for handling of corporate actions such as mergers or spinoffs, Index Constituents are not added between Rebalancings.

3 Basket Construction

3.1 Universe

The Index's Universe is drawn from the Syntax US 1000 Index (SY1000). Candidates are identified using Syntax FIS data classifying their issuing entities as outside the *Financials* Sector.

3.2 Selection

To be considered an "Eligible Candidate" and enter the ranking process, a Candidate must meet the following eligibility criteria:

- Average Daily Traded Value (ADTV): three-month minimum of 3 million USD based on at least one month of trading history
- A positive Consensus Estimate, defined as the average of the free cash flow and earnings forward-year estimates for the Candidate

The Index selects Constituents from among the Eligible Candidates by the following steps:

- 1) Rank all the Eligible Candidates in descending order separately by Trailing FCF Yield (defined as trailing-12-month free cash flow divided by enterprise value) and Forward

FCF Yield (defined as estimated forward-year free cash flow per share divided by share price).

- 2) For each Eligible Candidate, average the two ranks from (1) to calculate the FCF Yield Rank.
- 3) From among the Eligible Candidates within the top 100 by FCF Yield Rank (employing a Candidate's Consensus Estimate as a ranking tiebreaker, if needed), isolate those that meet all the following criteria:
 - a. The Candidate's indicated dividend yield ranks no higher than the 89th percentile within the SY1000 Index.
 - b. The Candidate's estimated dividend payout ratio for the ensuing year is no greater than 75%.
 - c. The Candidate has positive estimated earnings for the ensuing year.
 - d. The Candidate has grown its trailing-12-month dividends for three consecutive years.
 - e. The Candidate has grown one or both of its trailing-12-month dividends and indicated dividend yield compared to the previous quarter.
- 4) Select as Constituents the Eligible Candidates isolated in (3) in order of their FCF Yield Ranks until either 40 Constituents are selected, or all those isolated are selected.
- 5) If fewer than 40 Constituents are selected as of (4), then select as Constituents all remaining Eligible Candidates within the top 100 by FCF Yield Rank that meet the quarterly growth criterion 3(e) above.
- 6) If fewer than 50 Constituents are selected as of (5), then select as Constituents the remaining Eligible Candidates in order of their FCF Yield Ranks until 50 Constituents are selected.

3.3 Weighting

The Constituents are weighted as follows as of the Weight Date:

- 1) Each Constituent selected in step (4) of the selection process is initially allocated 2.5% of the Index Weight.
- 2) All Constituents selected in step (5) or in step (6) of the selection process are initially weighted relative to one another by Composite FCF Yield (defined as the average of Trailing FCF Yield and Forward FCF Yield), subject to an initial Index Weight maximum of 2%.
- 3) The final Index Weight of each FIS Level 2 Sector represented in the Index is capped at 24%, potentially modifying the final Index Weights of the individual Constituents.

4 Index Variants

The Index is calculated on an end-of-day (EOD) basis by Syntax Indices in the following variants:

Ticker	Name	Currency	Return Type	Base Date	EOD Launch Date	Base Level
COWSETF	Kelly US Cash Flow Dividend Leaders Index Total Return (USD)	USD	Gross Total Return	21 Sep 2007	26 July 2023	1000
COWSNR	Kelly US Cash Flow Dividend Leaders Index Net Total Return (USD)	USD	Net Total Return	21 Sep 2007	26 July 2023	1000
COWSPR	Kelly US Cash Flow Dividend Leaders Index (USD)	USD	Price Return	21 Sep 2007	26 July 2023	1000
COWSEUR	Kelly US Cash Flow Dividend Leaders Index Total Return (EUR)	EUR	Gross Total Return	21 Sep 2007	26 July 2023	1000
COWSENR	Kelly US Cash Flow Dividend Leaders Index Net Total Return (EUR)	EUR	Net Total Return	21 Sep 2007	26 July 2023	1000
COWSEPR	Kelly US Cash Flow Dividend Leaders Index (EUR)	EUR	Price Return	21 Sep 2007	26 July 2023	1000
COWSGBP	Kelly US Cash Flow Dividend Leaders Index Total Return (GBP)	GBP	Gross Total Return	21 Sep 2007	26 July 2023	1000
COWSGNR	Kelly US Cash Flow Dividend Leaders Index Net Total Return (GBP)	GBP	Net Total Return	21 Sep 2007	26 July 2023	1000
COWSGPR	Kelly US Cash Flow Dividend Leaders Index (GBP)	GBP	Price Return	21 Sep 2007	26 July 2023	1000
COWSJPY	Kelly US Cash Flow Dividend Leaders Index Total Return (JPY)	JPY	Gross Total Return	21 Sep 2007	26 July 2023	1000
COWSJNR	Kelly US Cash Flow Dividend Leaders Index Net Total Return (JPY)	JPY	Net Total Return	21 Sep 2007	26 July 2023	1000
COWSJPR	Kelly US Cash Flow Dividend Leaders Index (JPY)	JPY	Price Return	21 Sep 2007	26 July 2023	1000

Additionally, the Index is calculated on an intraday basis by ICE Data Indices LLC in the following variants:

Ticker	Name	Currency	Return Type	Base Date	Intraday Launch Date	Base Level
COWSETF	Kelly US Cash Flow Dividend Leaders Index Total Return (USD)	USD	Gross Total Return	21 Sep 2007	27 July 2023	1000
COWSPR	Kelly US Cash Flow Dividend Leaders Index (USD)	USD	Price Return	21 Sep 2007	27 July 2023	1000