Bloomberg US AI Top 3 Select EW Index Methodology

September 2024

Contents

Introduction

Bloomberg US AI Top 3 Select EW Index is constructed to track the performance of the top 3 companies by free float market capitalization from selected sectors from Bloomberg United States Large & Mid Cap Index that develop, facilitate, or utilize artificial intelligence (AI) solutions.

Section 1: Overview

Name	Bloomberg US AI Top 3 Select EW Index
Base Date	2015-03-30
Inception Date	2024-03-20
Selection	Quarterly
Share Rebalance	Quarterly
Publication	Weekdays
Currency	USD
Tickers	BUA3P1X (Price Return) BUA3T1X (Total Return) BUA3N1X (Net Return)

Section 2: Index Eligibility Process

Universe

To be selected for the Bloomberg US AI Top 3 Select EW Index, a company must be part of the Eligible Equity Universe defined in the Bloomberg Global Equity Index methodology. Please refer to the Bloomberg Global Equity Index methodology through the link below for additional details:

[Bloomberg Global Equity Indices Methodology](#)

Market Eligibility

A security must be classified as United States for Market Classification defined in the Bloomberg Global Equity Index methodology.

Size Eligibility

A security must belong to Large-, Mid- Size Segment defined in the Bloomberg Global Equity Index methodology.

Industry Eligibility

Companies from the following Bloomberg Industry Classification Standard (BICS) industries are eligible for the inclusion:

BICS Code	BICS Level	BICS Level Name
111212	3	E-Commerce Discretionary
191011	3	Semiconductors
191110	3	Software

Thematic Eligibility

A security must be classified as belonging to the Artificial Intelligence Theme Basket as determined by the Bloomberg Intelligence (BI). Please refer to the Bloomberg Thematic Protocol through the link below for additional details on the construction of thematic baskets:

[Bloomberg Thematic Protocol](#)

Section 3: Index Construction Process

Index Selection

All eligible securities are grouped at their company level and sorted by their company free float market capitalization.

At the inception of the index, top 3 companies by their free float market capitalization are selected for the index. For each subsequent reconstitution, existing index constituents will be reviewed for re-selection. If an existing constituent is ranked between 1 and 5 (inclusive of 1 and 5) by its current free float market capitalization, it will be re-selected. This step will be repeated until the number of companies in the index reaches 3. If less than 3 companies are selected after this step, the remaining eligible companies with the highest company free float market capitalization are added until the number of companies reaches 3.

Index Weighting

All selected securities are equally weighted. Weights are allocated to one security per issuer, by selecting the security with the highest 3-month average daily traded value (ADTV). If a selected company is a current index member, the same security is retained, provided the ADTV is at least 70% of the company security with the highest ADTV.

Index Rebalance and Reconstitution

The Index is reconstituted and rebalanced for share changes in March, June, September, and December.

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Selection Date	Last Wednesday	X			X			X			X		
Shares Determination Date	Second Last Wednesday		X			X			X			X	
Announcement Date	Last Wednesday		X			X			X			X	
Effective Date*	Second Wednesday			X			X			X			X

*The Index reconstitutions and rebalances go effective after the close of trading.

Section 4: Index Maintenance

Index Calculation

Refer to the Bloomberg Global Equity Indices Methodology for index calculation details.

Deletion Policy

Index securities are not deleted outside Index Rebalance and Reconstitution window except in the case of a delisting.

Addition Policy

Index securities are not added outside of the Index reconstitution.

Replacement Policy

Index securities are not replaced outside of the Index reconstitution.

Corporate Actions

Refer to Bloomberg Global Equity Indices Non-Market Cap Corporate Action Methodology for the treatment of corporate actions.

Index Termination

In the event the selection result in less than 3 securities, the index will be terminated.

Section 5: Backtest Assumptions

Point-in-time data, unless otherwise noted, were used for the historical index eligibility and construction process described in Section 2 and 3 since the base date of the index.

Appendix I: Risks and Limitations of the Indices

Risks

The following is a summary of certain risks associated with the Index but is not meant to be an exhaustive list of all risks associated with the Index. Although the Index is designed to be representative of the markets it is measuring, it may not be representative of every use case. There is also inherent, though transparent, judgment in its construction, as outlined in this Methodology. The Index is designed for general applicability and not to address the individual circumstances and needs of users. BISL does not advise about the usefulness of the Index to a particular circumstance; users are therefore encouraged to seek their own counsel for such matters. This Methodology is subject to change, which may impact its usefulness to users. Although efforts will be made to alert users of any change, every individual user may not be aware of them. Such changes may also significantly impact the usefulness of the Index. BISL may also decide to cease publication of this Index. BISL maintains internal policies regarding user transitions, but no guarantee is given that an adequate alternative is available generally or for a particular use case. Markets for stocks, as with all markets, can be volatile. As the Index is designed to measure this market, it could be materially impacted by market movements, thus significantly affecting the use or usefulness of the Index for some or all users. Also, certain equity markets are less liquid than others — even the most liquid markets may suffer periods of illiquidity. Illiquidity can have an impact on the quality or amount of data available to BISL for calculation and may cause the Index to produce unpredictable results.

Limitations of the index

Though the Index is designed to be representative of the markets it measures or otherwise aligns with its stated objective, it may not be representative in every case or achieve its stated objective in all instances. It is designed and calculated strictly to follow the rules of this Methodology, and any Index level or other output is limited in its usefulness to such design and calculation.

Markets can be volatile, including those market interests that the Index measures or upon which the Index is dependent to achieve its stated objective. For example, illiquidity can have an impact on the quality or amount of data available to the administrator for calculation and may cause the Index to produce unpredictable or unanticipated results.

In addition, market trends and changes to market structure may render the objective of the Index unachievable or to become impractical to replicate by investors.

In particular, the Index measures global equity markets. As with all equity investing, the Index is exposed to market risk. The value of equities fluctuate with the changes in economic forecasts, interest rate policies established by central banks and perceived geo-political risk. The Index does not take into account the cost of replication and as a result a tracking portfolio's returns will underperform the Index with all else equal. As the Index is designed to measure those markets, it could be materially impacted by market movements, thus significantly impacting the use or usefulness of the fixings for some or all users.

In addition, certain sub-indices may be designed to measure smaller subsets of the Index such as specific styles, size, and sector. Some of these sub-indices have very few qualifying constituents and may have none for a period of time. During such period, the sub-index will continue to be published at its last value, effectively reporting a 0% return, until new constituents qualify. If no constituents are expected to qualify (due to changes in market structure and other factors), the sub-index may be discontinued. In such an event, this discontinuation will be announced to index users.

Appendix II: Benchmark Oversight and Governance

Benchmark governance, audit and review structure

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

Index and data reviews

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

Expert judgement

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

Conflicts of interest

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

Restatement policy

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

Section 8: Methodology Changes

Date	Update
March 2024	Document Creation
April 2024	Clarification of Section 3: Index Selection
September 2024	Update of "Section 3: Index Selection", to change the constituent selection as follows: Previous: At the inception of the index, top 3 companies by their free float market capitalization are selected for the index. For each reconstitution, the company with the largest free float market capitalization will be selected. Existing index constituents will be re-selected successively if they are ranked between 2 and 5 by their free float market capitalization until the number of companies reaches 3. If less than 3 companies are selected after this step, the remaining eligible companies with the highest company free float market capitalization are added until the number of companies in the Bloomberg US AI Top 3 Select EW Index reaches 3. Updated (effective from December 2024 reconstitution onwards): At the inception of the index, top 3 companies by their free float market capitalization are selected for the index. For each subsequent reconstitution, existing index constituents will be reviewed for re-selection. If an existing constituent is ranked between 1 and 5 (inclusive of 1 and 5) by its current free float market capitalization, it will be re-selected. This step will be repeated until the number of companies in the index reaches 3. If less than 3 companies are selected after this step, the remaining eligible companies with the highest company free float market capitalization are added until the number of companies reaches 3.

Appendix III: Methodology ESG Disclosure

EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY	
Item 1. Name of the benchmark administrator.	Bloomberg Index Services Limited ("BISL")
Item 2. Type of benchmark or family of benchmarks. *Choose the relevant underlying asset from the list provided in Annex II to Commission Delegated Regulation (EU)2020/1816.*	Equity
Item 3. Name of the benchmark or family of benchmarks.	Bloomberg US AI Top 3 Select EW Index
Item 4. Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	No
Item 5. Where the response to Item 4 is positive, please list below, for each family of benchmarks, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816. Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets. The ESG factors shall be disclosed at an aggregated weighted average value at the level of the family of benchmarks.	
(a) List of environmental factors considered:	Not applicable
(b) List of social factors considered:	Not applicable
(c) List of governance factors considered:	Not applicable
Item 6. Where the response to Item 4 is positive, please list below, for each benchmark, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816, depending on the relevant underlying asset concerned. Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets. The ESG factors shall not be disclosed for each constituent of the benchmark, but shall be disclosed at an aggregated weighted average value of the benchmark. Alternatively, all of this information may be provided in the form of a hyperlink to a website of the benchmark administrator included in this explanation. The information on the website shall be easily available and accessible. Benchmark administrators shall ensure that information published on their website remains available for five years.	
(a) List of environmental factors considered:	Not applicable
(b) List of social factors considered:	Not applicable
(c) List of governance factors considered:	Not applicable
Hyperlink to the information on ESG factors for each benchmark:	
Item 7. Data and standards used	
(a) Data input. (i)*Describe whether the data are reported, modelled or sourced internally or externally.*	Not applicable

(ii)*Where the data are reported, modelled or sourced externally, please name the third party data provider.*	
(b) Verification and quality of data. *Describe how data are verified and how the quality of those data is ensured.*	Not applicable
(c) Reference standards *Describe the international standards used in the benchmark methodology.*	Not applicable
Date on which information has been last updated and reason for the update:	March 2024, initial launch

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