

Horizon Kinetics ISE Wealth Index Methodology

Index Description

The Horizon Kinetics ISE Wealth Index is designed to track the performance of U.S.-listed, publicly-held companies that are managed by some of the wealthiest individuals in the United States.

Index Calculation

The Horizon Kinetics ISE Wealth Index is an equal-weighted index. The value of the Index equals the aggregate value of the Index share weights, also known as the Index Shares, of each of the Index Securities multiplied by each such security's Last Sale Price¹, and divided by the divisor of the Index. The divisor serves the purpose of scaling such aggregate value to a lower order of magnitude which is more desirable for Index reporting purposes. If trading in an Index Security is halted on its primary listing market, the most recent Last Sale Price for that security is used for all index computations until trading on such market resumes. Likewise, the most recent Last Sale Price is used if trading in a security is halted on its primary listing market before the market is open. The Index began on December 31, 1991 with a base value of 100.00.

The formula for index value is as follows:

Aggregate Adjusted Market Value/Divisor

The formula for the divisor is as follows:

(Market Value after Adjustments/Market Value before Adjustments) X Divisor before Adjustments

Three versions of the Index are calculated:

- The price return index (Nasdaq: RCH) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index (Nasdaq: RCHTR) reinvests cash dividends on the ex-date.
- The net total return index (Nasdaq: RCHNTR) reinvests cash dividends on the ex-date and adjusts for an Index Security's country of incorporation withholding rate. The net total return index began on February 6, 2017 at a base value of 1500.

All Indexes reflect extraordinary cash distributions.

The Indexes are calculated and disseminated once per second from 9:30:01 to 17:16:00 Eastern Time (ET) in USD. The closing value of the Indexes may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

¹ For purposes of this document, Last Sale Price refers to the last regular way trade reported on such security's Index Market. The Index Market is the listing market for which prices are received and used by Nasdaq in the Index calculation and generally will represent the most liquid trading market of the Index Security. If a security does not trade on its Index Market on a given day or the Index Market has not opened for trading, the most recent last sale price from the Index Market (adjusted for corporate actions, if any) is used. For securities where Nasdaq is the Index Market, the Last Sale Price may be the Nasdaq Official Closing Price (NOCP) when Nasdaq is closed.

Eligibility

Index eligibility is limited to specific security types only. Security types not eligible for the index include closed-end funds, exchange-traded funds (ETF) and limited partnerships.

Eligibility Criteria

To be eligible for inclusion in the Index, a security must meet the following criteria:

- The component security must have a wealthy individual in a control position, defined as a position that allows for substantial decision making authority (e.g., Chief Executive Officer, Chairman of the Board). A wealthy individual is defined as a person whose level of personal assets generally exceeds \$500 million, as measured by public data, although this minimum threshold is subject to change based on market conditions, which can greatly impact the value of personal assets (e.g., public stock holdings).
- The wealthy individual must own at least \$100 million of the common equity;
- The component security must be listed on a U.S. exchange;
- In the case of initial public offerings, the component security must have been publically listed for at least two years;
- The component security must have a market capitalization of at least \$200 million;
- No single component may represent more than 24% of the weight of the Index, and the cumulative weight of all components with an individual weight of 5% or greater may not, in the aggregate, account for more than 50% of the weight of the Index. This particular requirement will be satisfied at the conclusion of each of the quarterly rebalance periods; and,
- The trailing 3-month average daily value traded, as calculated on a trimmed basis whereby 10% of the daily observations are eliminated from the sample, must be greater than \$2,000,000 at the time of rebalancing in order to be included. For the purposes of exclusion, the trimmed trailing 3-month average daily value traded must either i) be below \$1,000,000, in which case such constituents are removed in conjunction with the periodic rebalancing process, or ii) be greater than \$1,000,000 and below \$2,000,000 for four consecutive quarters, in which case such constituents are removed in conjunction with the periodic rebalancing process.

Stock Selection

Securities meeting the criteria are then evaluated at each review period as follows:

1. If a company has multiple share classes, include the most liquid issue for that company (using average daily value traded during the prior six-month period) and remove the remaining classes.
2. Adjust each component's weighting to an equal weight using the following equation:

$$W_i = \frac{1}{n}$$

where:

W_i = Weight of each component

n = The number of components

3. The index portfolio does not have a fixed number of stocks and attempts to include every stock that meets the eligibility requirements contained herein.

Nasdaq and Horizon Kinetics will, in most cases, use the quantitative ranking and screening system described herein. However, subjective screening based on fundamental analysis or other factors may be used if, in the opinion of Nasdaq and Horizon Kinetics, certain components should be included or excluded from the Index. Questions of interpretation or possible exceptions to rules are considered by the Horizon Kinetics Index Committee.

Index Evaluation

The Index is evaluated on a quarterly basis in March, June, September and December of each year. Security additions and deletions are made effective after the close of the last trading day of March, June, September and December.

Additionally, if at any time during the year other than the Evaluation, an Index Security is determined to have become ineligible for continued inclusion in the Index due to bankruptcy, delisting, or a definitive agreement that would likely result in the security no longer being Index eligible, the security may be replaced. In the case of mergers and acquisitions, the Index Security may be removed the day following the shareholder vote or the expected expiration of the tender offer, provided the acquisition is not contested. In the event the acquisition is contested then the deletion will occur as soon as reasonably practicable, once results have been received that indicate the acquisition will likely be successful. Ordinarily, a security will be removed from the Index at its Last Sale Price. If, however, at the time of its removal the Index Security is halted from trading on its primary listing market and an official closing price cannot readily be determined, the Index Security may, in Nasdaq's discretion, be removed at a zero price. The zero price will be applied to the Index Security after the close of the market but prior to the time the official closing value of the Index is disseminated, which is ordinarily 17:16:00 ET.

Index Maintenance

Index Share changes are not made during the quarter however changes arising from stock dividends and stock splits are made to the Index on the evening prior to the effective date of such corporate action. In the case of certain spin-offs or rights issuances, the price of the Index Security is adjusted; there is no adjustment to Index Shares. The spin-off company may be added to the Index on the ex-date and will be reviewed for index eligibility at the next Index Evaluation.

A special cash dividend announced by the listing exchange, will result in an adjustment to the Last Sale Price of an Index Security prior to market open on the ex-date for the special amount distributed. A special dividend may also be referred to as extra, extraordinary, non-recurring, one-time, unusual, etc.

Ordinarily, whenever there is a change in an Index Security as noted above, the divisor is adjusted to ensure that there is no discontinuity in the value of the Index which might otherwise be caused by any such change. All changes are announced in advance and are reflected in the Index prior to market open on the Index effective date.

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