

BlueStar Israel Global Strategic Dividend Index

Index Methodology Guide 1.1

Issue Date:

December 7, 2017

Produced by:

BlueStar Global Investors, LLC d/b/a BlueStar Indexes
1350 Avenue of the Americas, Fourth Floor, New York, NY 1009
www.bluestarindexes.com

December 7, 2017



The information contained in this document is current as of the publication date and is subject to change without notice. BlueStar Indexes will not accept responsibility for damages, direct or indirect, caused by any error or omission in this document.

The BlueStar Indexes logo is a service mark of BlueStar Global Investors LLC. The BlueStar Israel Global Index® is a trademark of BlueStar Global Investors LLC.

©2017 BlueStar Global Investors LLC. All Rights Reserved.

Contents

Chapter 1: Introduction and Index Description	4
Chapter 2: Index Construction	5
2.1 Base Date and Value	5
2.2 Component Eligibility Requirements	5
2.3 Initial Component Selection	6
2.4 Dividend Treatment	9
2.5 Index Equations	9
Chapter 3: Index Maintenance	10
3.1 Divisor Changes	10
3.2 Details of Share Changes	10
3.3 Scheduled Component Changes and Review	11
3.4 Interim Component Changes	11
3.5 Unscheduled Component Weight Adjustments	12
Chapter 4: Index Calculation and Dissemination	13
4.1 Price Calculation	13
4.2 Calculation Frequency and Dissemination	13
4.3 Input Data	13
4.4 Data Corrections	14
Appendices	15
Appendix A. BlueStar Israel Global Strategic Dividend Index Constituents	16
Appendix B. Index Stats and Allocations	17
Appendix C. Document Change History	17
Appendix D. Additional Resources	17

Chapter 1: Introduction and Index Description

This document summarizes the methodology and rules used to construct, calculate, and maintain the BlueStar Israel Global Strategic Dividend Index (“BIGI-SD”).

The BlueStar Israel Global Total Investable Market Index (“BIGI-TIM”) is the parent index for BIGI-SD and thus comprises and defines all the securities eligible for inclusion in BIGI-SD. BIGI-TIM is owned and maintained by BlueStar Indexes (“BlueStar”) and calculated by Solactive AG (“Solactive”). Information regarding the methodology and current constituents of BIGI-TIM can be found on Solactive’s and BlueStar’s publicly-available websites at www.solactive.com or www.bluestarindexes.com, respectively, or on the Reuters Ikon or Bloomberg terminal information systems by using the index symbol BITMTR.

BIGI-SD is a rules-based index that tracks the performance of a subset of the stocks included in a broad and deep universe of Israeli and Israel-related companies, as defined by BIGI-TIM which is based on BlueStar’s proprietary methodology and database. Components of BIGI-SD are weighted based on both market capitalization as well as each component’s dividend yield, as described in this methodology guide.

Index components are reviewed semi-annually for eligibility, and the weights are re-set accordingly. Companies which hold an initial public offering between regularly-scheduled semi-annual reviews and meet certain criteria as described herein may enter the index on a “fast-track” basis.

Companies may not apply, and may not be nominated, for inclusion in the Index. Companies are added or removed by BlueStar based on the methodology described herein. The BlueStar Index Advisory Committee advises on index methodology and on decisions related to the addition and deletion of components to the BIGI-TIM index, as well as on fast-track entry decisions. Whenever possible, BlueStar will publicly announce changes to the index on its website at least five trading days in advance of the actual change. The Index is calculated and maintained by Standard & Poor’s based on a methodology developed by BlueStar.

BIGI-SD is calculated on a price, total return and net total return basis in real-time. The net total return index is disseminated in real-time via the CME Group, Inc (CME) and market data vendors every day the Israeli or U.S. equity markets are open, respectively. Real-time index values for the net total return index are available on Bloomberg by entering “BLSSDNTR INDEX <GO>”, and end-of-day values are freely available on BlueStar’s website, www.bluestarindexes.com, and/or through market data vendors.

The index currency is the US Dollar. Prices of index components not listed in the index currency are translated using spot foreign exchange rates quoted by Reuters. Should there be no current price available on Reuters, the most recent price or the trading price for the preceding trading day is used in calculation.

Chapter 2: Index Construction

This chapter outlines and defines the key steps in constructing and calculating the index, including: eligibility requirements, formulas, initial component selection, and special adjustments

2.1 Base Date and Value

BIGI-SD has the following variants, base dates and values:

Name	Index Symbol	Base Date	Base Value
BlueStar Israel Global Strategic Dividend Index (Price Index)	BLSSD	December 31, 2004	100
BlueStar Israel Global Strategic Dividend Index Total Return	BLSSDTR	December 31, 2004	100
BlueStar Israel Global Strategic Dividend Index Net Total Return	BLSSDNTR	December 31, 2004	100

2.2 Component Eligibility Requirements

All the following requirements must be met for a company's security to be considered eligible for inclusion in BIGI-SD:

1. The security must be a current constituent of BIGI-TIM as of the BIGI-SD June and December semi-annual reviews. Companies that are included in BIGI-TIM are those considered to be Israeli companies. The definition of an Israeli company, as used in the maintenance of BIGI-TIM, is supported by BlueStar's proprietary research and is based on a range of factors including domicile, country of founding/formation, location of executive primary management team, location of R&D facilities, tax status, and location of company headquarters. In addition, members of BIGI-TIM must have a float-adjusted market capitalization of at least \$50 million USD equivalent and a six-month average daily value traded ("ADV") of at least \$200,000 USD equivalent; and
2. The component must have paid a dividend to common shareholders, at least twice, in the eighteen-month period preceding the current semi-annual review selection date. Specifically, the company must have paid at least one dividend to common shareholders in each of the twelve-month periods preceding the current semi-annual review selection date and the previous semi-annual review selection date.
3. In accordance with the rules governing BIGI-TIM, securities denominated only in the following currencies may be considered for inclusion in the index:

US Dollar	Canadian Dollar	Israeli Shekel	British Pound	Swiss Franc
Euro	Singapore Dollar	Hong Kong Dollar	Japanese Yen	Australian Dollar

BlueStar 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 BlueStar Indexes, certain components should be included or excluded.

2.3 Initial Component Selection

The following steps are taken to select the initial components for BIGI-SD at each semi-annual rebalance period:

1. Establish the initial list of inclusion-eligible securities as defined in Chapter 2.2. This shall be referred to as the “initial inclusion list”
2. Determine each security in the initial inclusion list’s “initial weight” according to the following set of equations where:

$$IW_i = \text{Initial Weight of component } i$$

$$N = \text{number of securities in the initial inclusion list}$$

IW_i = Initial Weight of component i
 N = number of securities in the initial inclusion list

$$IW_i = (.25 * MCW_i) + (.375 * DYW_i) + (.375 * DBW_i)$$

Where:

MCW_i = Market capitalization-based weight of component i
 DYW_i = Dividend yield-based weight of component i
 DBW_i = Dividend bucket-based weight of component i

Where:

$$MCW_i = \frac{BIGI-TIMW_i}{\sum_{i=1}^N BIGI-TIMW_i}$$

Where:

$BIGI-TIMW_i$ = Weight of component i in BIGI-TIM Index

$$DYW_i = \frac{DY_i}{\sum_{i=1}^N DY_i}$$

Where:

DY_i = Trailing twelve month dividend yield of component i

$$DBW_i = \frac{DB_i}{\sum_{i=1}^N DB_i}$$

Where:

DB_i = Assigned dividend bucket of component i

Where:

Components grouped into dividend buckets as follows:

- 4 assigned to companies with a trailing twelve month dividend yield greater than or equal to 2.5%
- 2 assigned to companies with a trailing twelve-month dividend yield between 1% and 2.5%
- 1 assigned to companies with a trailing twelve-month dividend yield of less than or equal to 1%

3. Set liquidity thresholds:

- a. Calculate three-month average daily value traded in USD equivalent for each component based on the daily closing price and number of shares traded
- b. Set percentage of average daily value traded threshold to 1000%
- c. Set investment threshold to \$100 million USD

4. Determine component percentage of average daily value traded given the investment threshold and the calculated weight of the component using the following equation:

$$ADV_{\%i} = \frac{NW_i * \$100,000,000}{ADV_{\$i}}$$

Where:

$ADV_{\%i}$ = Percentage of three month average daily value traded for component i

$ADV_{\$i}$ = Three month average daily value traded for component i

5. If the component percentage of average daily value traded is less than the percentage average daily value traded threshold then the NW for that component does not need to be adjusted

6. If the component percentage of average daily value traded is greater than the percentage average daily value threshold then assign new component a first modified new weight, NW' , such that its percentage average daily value traded is equal to the percentage average daily value traded threshold using the following steps:
 - a. Calculate the component's NW' based on the investment threshold and three-month average daily value traded threshold using the following equation:

$$NW'_i = \frac{1000\% * ADV_{\$i}}{\$100,000,000}$$

Where:

NW'_i = Modified new weight for component i

- b. Take the aggregate difference between the NW and NW' of those components whose NW modified in step 6a, above, and distribute evenly among stocks whose NW was not modified in step 6a, above to find their modified new weight such that each component now has a modified new weight, NW'_i .
7. Set weight threshold to 10%
8. If any component's NW' , as determined in steps 6a and 6b, above, is greater than the weight threshold, set that component's second modified new weight, NW'' , to 10%
9. Take the aggregate difference between the NW' and NW'' of those components whose NW' was modified in step 10, above. And distribute evenly among stocks whose NW was not modified in step 6a, above, and whose NW' was not modified in step 9, above, to arrive at each component's final weight, FW
10. Repeat steps 5 through 11, above until all components' FW is less than or equal to 10% and each component's average daily value traded percentage is less than or equal to 1000%.

2.4 Dividend Treatment

The price index does not take normal dividend payments into account. Dividends are accounted for by reinvesting them on a daily basis. BIGI-SD uses the ex-dividend date to determine the total daily dividends for each day. Special dividends require an index advisor adjustment, as described in Chapter 3, to prevent such distributions from distorting the price index.

2.5 Index Equations

1. The price index is calculated using the following basic equations:

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

Where:

$I_{(t)}$ = Index value at time (t)
 $D_{(t)}$ = Divisor at time (t)
 N = Number of stocks in the index
 t = The time that the index is calculated
 $P_{i(t)}$ = Price of stock i at time t in USD terms
 $S_{i(t)}$ = Number of assigned shares of stock i at time t

Where:

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

Where:

$I_{(0)}$ = Base index value at base date
 $D_{(0)}$ = Initial divisor at base date
 n = Number of stocks in the index
 $P_{i(0)}$ = Closing price of stock i at base date in USD terms
 $S_{i(0)}$ = Number of assigned shares of stock i at base date

2. Assigned shares are the number of shares needed for each component such that the component conforms to the weighting distribution outlined in Chapter 2.3.12
3. Changes to the index composition require divisor adjustments to retain index continuity before and after specific events, as outlined in Chapter 3. Divisor changes are made according to the following equation:

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

Where:

$D_{(t+1)}$ = Initial Divisor after changes are made to the index

Chapter 3: Index Maintenance

This chapter describes the circumstances that require index changes, as well as the details on performing those changes

3.1 Divisor Changes

Changes to the index composition due to corporate actions or component eligibility changes will require adjustments to the index divisor, as follows:

*Spinoff**

1. Subtract the following from the price of the parent company:

$$\frac{\text{Spinoff stock price}}{\text{Share exchange ratio}}$$

2. Adjust the component's assigned shares such that its weighting is not changed because of the spinoff

Special Cash Dividend

1. Subtract special dividend from share price

Rights Offering

1. Subtract the following from the price of the parent company:

$$\frac{\text{Price of rights}}{\text{Rights ratio}}$$

2. Adjust the component's assigned shares such that its weighting is not changed because of the rights offering

Divisor changes are usually made on the date the corporate action becomes effective. For example, BIGI-SD uses the ex-dividend date rather than the payment date to determine when making divisor adjustments.

*If a company being spun-off is only trading on a "when-issued" basis, the "when-issued" price will be used to adjust the parent company's closing price.

3.2 Details of Share Changes

Stock splits and reverse splits do not require index divisor adjustments because the corresponding change to the stock price equally offsets the number of assigned shares, therefore not affecting the component's influence in the index.

3.3 Scheduled Component Changes and Review

BIGI-SD has a semi-annual review in June and December of each year. Fundamental data, prices and trading volumes are captured on the Tuesday before the second Friday of June and December. The new number of assigned shares for each component is determined based on the component's final weight as determined in Chapter 2.3.10 and the closing price of that component on the Tuesday before the second Friday of June and December. Component changes are announced and made available after the close on the second Friday of June and December. Component changes are made after the close on the third Friday of June and December and are effective at the opening on the Sunday following the third Friday of June and December.

3.4 Interim Component Changes

1. Component changes may occur between regularly-scheduled review periods if a specific corporate event makes an existing component ineligible. The following events may require a component's removal or replacement:

Merger or Acquisition

If a merger or acquisition results in one component absorbing another, the resulting company will remain a component and the absorbed company will be removed or replaced. If a non-component company absorbs a component company, the original component will be removed or replaced, unless the non-component company becomes a component of BIGI-TIM. If a component is the target of an acquisition BlueStar may decide to remove or reduce the weight of that component after the "go-shop" period concludes in order to reduce potential volatility or liquidity risk in the index.

Spin-Off

If a company splits or spins off a portion of its business to form one or more new companies, the resulting company with the highest market value will remain a component if it meets the eligibility requirement. The remaining companies will be evaluated for eligibility and possible addition to the index.

Bankruptcy

A component company will be removed and replaced immediately after bankruptcy filing. Exceptions are made on a case-by-case basis. For example, a security may not be removed immediately if bankruptcy filing is not the result of operating or financial difficulties.

Delisting

A component company will be removed or replaced immediately after being delisted from its primary market.

2. A company may be added as an index component on a fast-track basis if that company has been added to the BIGI-TIM index between BIGI-SD's regularly-scheduled semi-annual reviews.

Whenever possible, interim component changes are announced on BlueStar's publicly-available website at least three trading days prior to component changes becoming effective.

3.5 Unscheduled Component Weight Adjustments

Unscheduled component weight adjustments may occur between review periods if any component accounts for more than 25% of the index weight. The market capitalization of any component representing more than 25% of the index weight will be adjusted such that its new weight is no more than 10%. Even though the weighting limit is 25% for a single component, all components accounting for over 25% of the index market value are adjusted to 10% to avoid future unscheduled rebalancing events.

Whenever possible, unscheduled component weight adjustments are announced on BlueStar's publicly available website at least three trading days prior to the adjustments becoming effective.

Chapter 4: Index Calculation and Dissemination

This chapter summarizes calculation and dissemination practices, quality assurance practices, and the circumstances requiring calculation corrections.

4.1 Price Calculation

Price, total return, and net total return indexes for BIGI-SD are calculated by Standard & Poor's on both an end-of-day and real-time basis. The BIGI-SD is calculated using the last traded price for each company in the Index from the relevant exchanges and markets.

Index values are rounded to two decimal places and divisors are rounded to 14 decimal places.

4.2 Calculation Frequency and Dissemination

BIGI-SD is calculated on a real-time basis beginning when the first traded price of any of the Index components is received by Standard & Poor's. Prices are delivered to CME every 15 seconds and subsequently published at that frequency. Net total return index values are available on a real-time basis through the Bloomberg information system under the index symbol "BLSSDNTR INDEX". End-of-day net total return index values are posted on BlueStar's publicly available website, www.bluestarindexes.com.

If the exchange a stock is listed on is closed or 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 last traded price for that stock will be used for all subsequent Index calculations until trading resumes.

4.3 Input Data

Standard & Poor's uses various quality assurance tools to audit, monitor, and maintain the accuracy of its input data. While every reasonable effort is taken to ensure high standards of data integrity, there is no guarantee against errors. Please refer to the Data Correction section for more detail.

The index closing price is calculated using the closing prices issued by the primary exchange for each component stock in the index. If the primary exchange changes the closing price of a component stock, the new price will be used to calculate the index closing price. A final check of closing prices is done between one hour and one and one-half hours after the close of markets. This timeframe may be expanded at S&P's discretion on days where trading volume is unusually large at the close. For example, futures and options expiration dates, and large index rebalancing dates often result in unusually large volume. Only changes received prior to this final check are used in the closing price calculation.

4.4 Data Corrections

Incorrect index component 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 that same day. If discovered after five days, adjustments will be handled on a case-by-case basis depending on the significance of the error and the feasibility of a correction.

Incorrect intraday index tick data will not be corrected. However, incorrect opening and closing values will be corrected as soon as possible after detection.

December 7, 2017



Appendices

This section provides additional information related to BIGI-SD as well as changes to this document.

Appendix A. BlueStar Israel Global Strategic Dividend Index Constituents

As of June 30, 2017

Company Name	Ticker	Exchange	Weight
ISRAMCO NEGEV 2 LP	ISRAL	TASE	4.51%
TEVA PHARMACEUTICAL IND LTD	TEVA	TASE	3.67%
AMDOCS LTD	DOX	NASDAQ	2.90%
PERRIGO CO PLC	PRGO	NYSE	2.80%
DELEK AUTOMOTIVE SYSTEMS LTD	DLEA	TASE	2.70%
BANK HAPOLIM BM	POLI	TASE	2.48%
DELEK DRILLIN - LP	DEDRL	TASE	2.43%
BEZEQ THE ISRAELI TELECOM CO	BEZQ	TASE	2.41%
PLUS500 LTD	PLUS	LSE	2.25%
DELEK GROUP LTD	DLEKG	TASE	1.83%
ASHTROM PROPERTIES LTD	ASPR	TASE	1.75%
ISRAEL CHEMICALS LTD	ICL	TASE	1.70%
PAZ OIL CO LTD	PZOL	TASE	1.68%
ALONY HETZ PROPERTIES & INV	ALHE	TASE	1.66%
HAREL INSURANCE INVESTMENTS	HARL	TASE	1.66%
INROM CONSTRUCTION INDUSTRIE	INRM	TASE	1.60%
AMOT INVESTMENTS LTD	AMOT	TASE	1.57%
888 HOLDINGS PLC	888	LSE	1.55%
PROPERTY & BUILDING CORP LTD	PTBL	TASE	1.55%
FIRST INTL BANK ISRAEL	FTIN	TASE	1.52%
CARASSO MOTORS LTD	CRSO	TASE	1.51%
EL AL ISRAEL AIRLINES	ELAL	TASE	1.48%
BAYSIDE LAND CORPORATION LTD	BYSID	TASE	1.45%
SHIKUN & BINUI LTD	SKBN	TASE	1.44%
NICE LTD	NICE	TASE	1.42%
FIBI HOLDINGS	FIBI	TASE	1.39%
GAZIT GLOBE LTD	GZT	TASE	1.36%
MIZRAHI TEFAHOT BANK LTD	MZTF	TASE	1.35%
REIT 1 LTD	RIT1	TASE	1.33%
XLMEDIA PLC	XLM	LSE	1.30%
SHUFERSAL LTD	SAE	TASE	1.28%
SAFECHARGE INTERNATIONAL GRO	SCH	LSE	1.27%
MEDITERRANEAN TOWERS LTD	MDTR	TASE	1.25%
ELBIT SYSTEMS LTD	ESLT	TASE	1.23%
MEITAV DASH INVESTMENTS LTD	MTDS	TASE	1.23%
ONE SOFTWARE TECHNOLOGIES LT	ONE	TASE	1.23%
SARINE TECHNOLOGIES LTD	SARINE	SGX	1.23%
BLUE SQUARE REAL ESTATE LTD	BLSR	TASE	1.22%
AVGOL INDUSTRIES 1953 LTD	AVGL	TASE	1.21%
ITURAN LOCATION AND CONTROL	ITRN	NASDAQ	1.21%
MELISRON	MLSR	TASE	1.21%
MATRIX IT LTD	MTRX	TASE	1.20%
ARAD LTD	ARD	TASE	1.14%
SHAPIR ENGINEERING AND INDUS	SPEN	TASE	1.12%
DIRECT INSURANCE FINANCIAL	DIFI	TASE	1.12%
DELEK US HOLDINGS INC	DK	NYSE	1.11%
HILAN LTD	HLAN	TASE	1.11%
AZRIELI GROUP LTD	AZRG	TASE	1.11%
RAMI LEVY CHAIN STORES HASHI	RMLI	TASE	1.10%
MIGDAL INSURANCE & FINANCIAL	MGDL	TASE	1.09%
TELIT COMMUNICATIONS PLC	TCM	LSE	1.09%
MAYTRONICS LTD	MTRN	TASE	1.09%
FOX WIZEL LTD	FOX	TASE	1.08%
ELECTRA LTD	ELTR	TASE	1.06%
FMS ENTERPRISES MIGUN LTD	FBRT	TASE	1.05%
PLASSON INDUSTRIES LTD	PLSN	TASE	1.05%
MAABAROT PRODUCTS LTD	MABR	TASE	1.02%
ORMAT TECHNOLOGIES INC	ORA	NYSE	0.85%
FRUTAROM	FRUT	TASE	0.81%
STRAUSS GROUP LTD	STRS	TASE	0.79%
BIG SHOPPING CENTERS 2004 LT	BIG	TASE	0.72%
FORMULA SYSTEMS (1985) LTD	FORTY	TASE	0.70%
SILICOM LTD	SILC	NASDAQ	0.68%
NORSTAR HOLDINGS INC	NSTR	TASE	0.68%
IDI INSURANCE CO LTD	IDIN	TASE	0.67%
MAGIC SOFTWARE ENTERPRISES	MGIC	NASDAQ	0.66%
TAPTICA INTERNATIONAL LTD	TAP	LSE	0.66%
NETO ME HOLDINGS LTD	NETO	TASE	0.65%
DELTA-GALIL INDUSTRIES	DELT	TASE	0.64%
ISRAS INVESTMENT COMPANY LTD	ISRS	TASE	0.63%
KLIL INDUSTRIES LTD	KLIL	TASE	0.61%
ELCO LTD	ELCO	TASE	0.54%
ALROV PROPERTIES AND LODGING	ALRPR	TASE	0.35%

Appendix B. Index Stats and Allocations

As of June 30, 2017

Geographic Breakdown		
Geographic Breakdown	Number	Weight
IL	59	80%
UK	6	8%
SG	0	0%
US	7	10%

Sector Breakdown		
Sector Breakdown	Number	Weight
Health Care	3	8%
Industrials	11	12%
Financials	10	15%
Energy	5	12%
Telecommunication Services	1	2%
Consumer Discretionary	8	10%
Information Technology	13	16%
Materials	2	3%
Real Estate	14	17%
Consumer Staples	5	5%
Utilities	1	1%

Totals		
Totals	Number	Weight
Total	73	100%

Appendix C. Document Change History

A history of significant changes to this document is shown in the table below

Issue	Date	Change
1.0	August 15, 2017	Initial publication
1.1	December 7, 2017	Addition of acceptable currencies and index currency/foreign exchange translation procedure

Appendix D. Additional Resources

- [BIGI-TIM Methodology Guide](#)

December 7, 2017

