**ITS SHARIAH INDEX
METHODOLOGY**

September 2024

1. Terms and Definitions

1.1. For the purpose of this document, the defined terms used herein shall have the following meaning:

Business Day is a weekday from Monday to Friday, except for public holidays in the Republic of Kazakhstan.

Closing Price is a security's final regular hours Trading Price, published by the Respective Trading Facility and determined in accordance with the Respective Trading Facility regulations.

Corporate Action Guideline is a guideline for corporate actions for indices owned by Index Administrator.

Ex-date is the day in which and after which the shares are sold without the right to receive dividends on them.

Eligible Component is a financial instrument, which may be an ordinary share, a global depositary receipt (GDR) or an American depositary receipt (ADR) currently included in the official Trading List.

Independent Expert is an independent company that checks the Eligible Components for compliance with Shariah norms according to its own methodology based on AAOIFI standards.

Index is a number describing the average value of its Index Components and their development over a longer time period.

Index Administrator is Private Company 'ITS Limited'.

Index Component is a financial instrument, which is included in Index Composition.

Index Composition is a list of Index Components.

Index Universe is a list of Eligible Components, which fulfill the requirements in Section 3.

Issuer is a parent company of an Index Component currently considered to be included in an Index Composition.

Market Capitalization with regard to a share is the value of the issuing company calculated by multiplying the number of outstanding shares by their Closing Price. Index Administrator defines market capitalization on every Rebalance Day.

Methodology is a document ruling the composition, calculation and maintenance of an Index.

Rebalance is the adjustment of an Index to implement the Index Composition dictated by the respective Methodology.

Rebalance Day is the day when the Index is rebalanced.

Respective Trading Facility is an exchange or an MTF where the Index Component is traded. The Respective Trading Facilities are listed in Appendix 4.

Schedule is a schedule of the Index Rebalance outlined in Appendix 2.

Trading Day of the Instrument is the day when trading takes place on the Respective Trading Facility of the instrument.

Trading List is the list of securities admitted to trading at Respective Trading Facilities.

Trading Price in respect of an Index Component and a Trading Day of the Instrument is the most recent published price at which the Index Component was traded on the Respective Trading Facility. It can be:
- Market price is the current price at which a security can be bought or sold.
- Mid price is the average of the current bid and ask prices being quoted.
- Ask price represents the minimum price that a seller is willing to take for a security.
- Bid price represents the maximum price that a buyer is willing to pay for a security.

Website is an official Index Administrator website: www.itsx.kz

1.2. Terms that are not defined in the current Methodology are used in accordance with strict rules regarding the exercise of discretion or expert judgment of Index Administrator documents and legislation (including IOSCO Principles for Financial Benchmarks).

2. Underlying principles

2.1. Index represents the performance of 30 Market Cap-Weighted and Shariah compliant equity securities, which have the highest Market Capitalization and are included in the Trading List.

2.2. Index Components are selected from the Shariah investment universe provided by Independent Expert.

2.3. Senior Executive Officer is responsible for decisions regarding any amendments to Methodology. Senior Executive Officer pre-approves any such amendment, after which the new Methodology is disclosed on the Website.

3. Index Universe requirements

The Index Universe is comprised of all Eligible Components, which fulfill the below requirements.

3.1. Index Universe consists of Index Components with the largest Market Capitalization that are Shariah compliant, according to the methodology of the Independent Expert. Companies, for which Independent Expert does not provide any status, are excluded.

3.2. In the case of an Index Component being bankrupt or insolvent, Index Administrator cannot include this security in Index Universe.

3.3. Index Administrator may impose a restriction on Eligible Components.

3.4. Independent Expert recognizes the Eligible Component as Shariah compliant if it meets AAOIFI criteria.

4. Rebalance Schedule

4.1. Index is rebalanced according to the schedule of the Index Rebalance outlined in Appendix 2.

4.2. On the Rebalance Day Eligible Components are determined in accordance with Sections 5 and 6, and then, the Index Composition is constructed.

4.3. Index Composition is disclosed on the Website with a notice period of at least two Business Days. Index calculation with the new Index Composition is implemented on the effective date described in Appendix 2.

4.4. Unscheduled Index Rebalance may be implemented at terms not defined on the Schedule by the decision of the Senior Executive Officer if:

4.4.1. Index Component files for bankruptcy.

4.4.2. Respective Trading Facility suspended trading in Index Component for more than one Trading Day of the Instrument.

4.4.3. Index Component is removed from the Trading List.

4.4.4. There is relevant information about Index Component that prevents it from being included into Index Composition.

4.4.5. There is a corporate action that affects the business of the Issuer, which may significantly influence Index performance, and cannot be processed or treated as defined in Corporate Actions Guideline.

4.4.6. Index Administrator discloses the unscheduled Rebalance Day on the Website. The effective date is determined in accordance with Appendix 2.

5. Rebalance

5.1. Based on the Index Universe, the initial composition of the Index as well as any selection for an ordinary rebalance is determined under the following rules:

5.1.1. Index Administrator forms Index Universe from Eligible Components, which are Shariah compliant according to latest data provided by Independent Expert on Rebalance Day.

5.1.2. Components of the Index Universe are ranked in descending order by Market Capitalization at the end of the Rebalance Day.

5.1.3. The first 30 Index Components are selected to form the Index Composition.

5.1.4. The other Index Components form the waiting list to be included in Index Composition.

5.2. The target weight W_i of an Index Component reflects the proportion of this stock at the index level I_t after the Index Rebalance Day t takes place and calculated based on Market Capitalization MC_i:

$$W_{i,t} = \frac{MC_{i,t}}{\sum_i^N MC_{i,t}}$$

$$\sum_i^N W_{i,t} = 1$$

5.3. Fraction of shares of the Index Component $S_{i,0}$ at the time of the first calculation of the Index is determined as:

$$S_{i,0} = \frac{W_i}{px_{i,0}} * I_0$$

Fraction of shares of the Index Component $S_{i,0}$ after Rebalance is determined as:

$$S_{i,t} = \frac{W_i}{px_{i,t}} * \sum px_{i,t} * S_{i,t}$$

where I_0 is Index level at the time of the first calculation, $px_{i,t}$ is the Trading Price of the Index Component in USD.

5.4. If the currency of an Index Component differs from the currency in which the Index is calculated, the exchange rate is used to convert the price into the currency in which the Index is calculated. The exchange rate can be an official rate of the National Bank of the Republic of Kazakhstan or another source chosen by the Index Administrator. Index Administrator can use different sources of exchange rates for different currencies following the best market practices. The exchange rate source change is disclosed on the Website.

5.5. If the weight W_i of one or more Index Components (or the sum of all weights for the Index Components of one Issuer) exceeds 10% on Rebalance Day, excess weight value is distributed among the remaining Index Components proportionally.

5.6. If the weight W_i of one or more Index Components (or the sum of all weights for the Index Components of one Issuer) exceeds 10% on any date between the Rebalance Days, the Index Administrator has the right to revise the weights of Index Components in accordance with clauses 5.1-5.4 of the Methodology, given the Index Composition remains the same. Notice of unscheduled Index Rebalance is published on the Website and takes effect on the Effective date of the changes specified in Appendix 2.

5.7. Senior Executive Officer may influence Index Composition by including and/or restricting Eligible Index Component.

6. Index calculation

6.1. Should there be no current Trading Price for an Index Component, the later of: (i) the most recent Closing Price; or (ii) the last available Trading Price for the preceding Trading Day is used in the calculation.

6.2. In the calculation of the daily closing levels of the Index, the official Closing Price of the respective Index Component on the Respective exchange is used. If the Respective exchange does not provide an official Closing Price for an Index Component on a particular day, the Index is calculated with the last price available.

6.3. The current Index level, excluding the case described in Section 6.5, is disclosed:
- On the Website no later than one minute from the moment of its calculation
- In the application programming interface (API) no later than 15 seconds from the moment of its calculation

6.4. The Index is calculated every 15 seconds on each calculation day from 10:00 till 03:45 UTC+5. The first index level is an opening level of the Index for the calculation day. The last index level is a closing level of the Index for the calculation day.

6.5. Index Administrator preserves the right not to recalculate and not to publish the Index level if the majority of Index Components is not traded on the Respective Trading Facilities. Majority, in the context of Index Components, is defined as 80% regardless of the Trading Facility.

6.6. Index Administrator can suspend calculation or recalculate index levels for the current calculation day or another period in case of errors in the determination process for various reasons (internal or external, including data unavailability or data sources failure).

6.7. Recalculation is implemented right after all the errors were corrected. Notification of recalculation and new index levels are disclosed on the Website.

6.8. In case of no Index calculation for over five hours per calculation day due to errors in the determination process, there is no recalculation or disclosure of missing values.

6.9. The index level is the sum of the products of the fraction of shares of the Index Component S_i and the price of the Index Component px_i at the Respective exchange divided by a divisor D_t:

$$I_t = \frac{1}{D_t} * \sum \quad px_{i,t} * S_{i,t}$$

6.10. The index level is rounded to two decimal places.

6.11. The initial level of the divisor equals:

$$D_0 = \frac{1}{I_0} * \sum \quad px_{i,0} * S_{i,0} = 1$$

7. Miscellaneous

7.1. Index Administrator can end Index calculation. Notification of cessation of the Index is disclosed no later than 14 calendar days before estimated last calculation.

7.2. Index Administrator determines the Index Composition and Index calculation in accordance with the best market practices, national regulations, guidelines owned by Index Administrator and decisions of the Senior Executive Officer.

7.3. Index administrator does not guarantee that Index reflects future market indicators.

7.4. The publication of the Index by Index Administrator does not constitute a recommendation for capital investment and does not contain any assurance or opinion of Index Administrator regarding a possible investment in a financial instrument based on this Index.

Currency	USD
Initial level	1000
Start date	10 August 2023
Calculation frequency	Every 15 seconds

Symbols

$aS_{i,t+1}$	Theoretical Fraction of Shares of the Index Component
$apx_{i,t+1}$	Theoretical Price of Index Component
d	Amount of Dividend
D_t	Divisor
I_t	Index Level
MC_i	Market Capitalization
N	Number of Index Components on Business Day k
px_i	Price of Index Component
t	Moment of Index calculation
tax_i	Withholding Tax
S_i	Fraction of Shares of the Index Component
W_i	Target Weight
X_t^α	Any parameter after dividend adjustment

Ordinary Rebalance is conducted every month, beginning on the initial Rebalance prior to the Index launch

Rebalance date	Effective date
4 January	
4 February	
4 March	
4 April	
4 May	
4 June	4th Trading Day following the Rebalance day
4 July	
4 August	
4 September	
4 October	
4 November	
4 December	

In case the Rebalance date falls on a non-Trading day, the Rebalance date is scheduled on the next Trading day.

If the Effective date falls on a weekend or a public holiday, in accordance with the Republic of Kazakhstan legislation, the changes will take effect on the following day, which is both a Business day and a Trading day.

Besides Index calculation, Index Operator calculates Index Net and Index Gross, which consider dividends.

1.   Index Net and Gross calculation
1.1   Indices Net and Gross are calculated according to Methodology.
1.2   Besides the provisions of Methodology a divisor adjustment applies to record regular dividend and special dividend.
2.   Divisor adjustment calculation
2.1   Dividends are distributed among Index Components through divisor adjustment proportional to the fraction of shares.
2.2   Index Gross is calculated after the deduction of any withholding tax:

$$tax_{gross} = 0$$

2.3   Index Net is calculated with the deduction of any withholding tax in the amount of 30%:

$$tax_{net} = 0.3$$

2.4   Special and regular dividends are considered equivalent.
2.5   If the amount of payment *d* is known before the ex-date, the divisor after adjustment is determined as:

$$px_{t+1}^{\alpha} = px_t - d * (1 - tax_i)$$

$$D_{t+1}^{\alpha} = \frac{\Sigma(px_{i,t+1}^{\alpha} * S_{i,t+1}^{\alpha})}{\Sigma(px_{i,t} * S_{i,t})} * D_t$$

2.6   If the amount of payment *d* is specified on day $t \geq t_{ex}$ (after ex-date), the divisor is determined in two steps:
a.   On ex-date t_{ex} the divisor is adjusted using an estimate payment d_{est} in accordance with adjustment rules defined in Section 2.5.
b.   On day *t* the divisor is adjusted using the actual value of payment *d*:

$$I_t^{\alpha} = I_t + \frac{(d - d_{est}) * S_{t_{ex}} * px_t * (1 - tax_i)}{D_{t_{ex}}}$$

$$D_t^{\alpha} = \frac{I_t}{I_t^{\alpha}} * D_t$$

Short name	Full name	Website
ITS Ltd	International Trading System Limited	https://itsx.kz
AIX	Astana International Exchange	https://aix.kz