Boosted.ai Artificial Intelligence Index - Methodology

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Index description

The Boosted.ai Artificial Intelligence Index seeks to provide investors exposure to global securities that will benefit from increased adoption of Artificial Intelligence (AI). The primary focus of the Index is on securities that will directly benefit from the adoption of AI through direct product sales and/or improved cost efficiency.

Security Universe & Eligibility criteria:

Security universe:

The index consists of securities related to the theme of increased adoption of AI. The list of securities is determined by Boosted.ai's proprietary Large Language Model (LLM) technology that determines a securities applicability to the theme of AI. The LLM technology evaluates each security in the eligible universe for their usage of AI to determine how likely they are to benefit from increased global adoption of AI - particularly in the lens of improved product sales and/or improved cost efficiency. Additionally, as the landscape of AI adoption evolves globally, the LLM technology is designed to continuously refine and adapt its interpretive and analytical capabilities, ensuring its assessments remain relevant and insightful in relation to AI's growing influence.

Eligibility:

Stocks across the **IWB** (iShares Russell 1000 ETF), **IWM** (iShares Russell 2000 ETF), **SPY** (SPDR S&P 500 ETF Trust), and **XIC** (iShares Core S&P/TSX Capped Composite Index ETF) are considered for inclusion.

Constituent Selection:

Constituent selection process:

The Boosted.ai LLM technology will constantly read news articles, company filings, earnings reports, and other sources of information to determine which stocks best fit the theme of increased global adoption of AI. These stocks will be given a score from 0 to 1 to represent their fit to the theme. Securities that score at least 0.5 on this scale will be eligible for selection. All constituents must each have a minimum market cap of $1B over the last 21 days and an average daily traded volume of $5M over the last 63 days.

Constituent weighting process:

There is a minimum weight per security of 0.1% and a maximum weighted score of 10.00%. Within these constraints, the AI will have the ability to weigh each security based on the security's applicability to the theme, trading activity, and market cap.

On every selection date, the index will undergo the following steps:

1. **Equity Ranking:** Boosted.ai's proprietary LLM technology ranks equities on a scale from 0 to 1, based on their relevance to the AI theme.
2. **Threshold-Based Filtering:** Equities are filtered out if they fail to meet any of the following criteria:
    a. **Applicability score** of at least 0.5.
    b. **Average Daily Volume (ADV)** of at least $5M USD over the preceding 63 days.
    c. **Market capitalization** of at least $1B USD over the preceding 21 days.
3. **Selection of Top Securities:** The 60 equities with the highest applicability scores are selected.
4. **Signal Score Assignment:** For the top 60 selected securities, a scaled signal score is assigned. This score is calculated based on the following formula:

$$Scaled\ Signal\ Score\ =\ Applicability\ Score\ *\ MCAP\ Weighting\ Allocation$$

On every rebalance date, the index will undergo the following steps:

1. **Allocation Rescaling for Top 60 Securities**: The top 60 securities, identified by their Scaled Signal scores, are adjusted to collectively reach a total allocation of 100%. During this process, any security that exceeds a 10% allocation is clipped back to ensure it does not surpass this threshold.
2. **Iterative Rescaling**: The allocation rescaling process for the top 60 securities is repeated iteratively until the total portfolio allocation is approximately 100%.

Selection Date & Rebalance Process

Every second Friday of every third month in each quarter (March, June, September, December), the index will recalculate new applicability scores for the AI theme.

The index will rebalance every third Friday of every third month in each quarter (March, June, September, December). This ensures that the index stays up to date with current macroeconomic trends and can quickly adapt to the theme of AI.

In the event of a public holiday, the index rebalancing schedule will be adjusted accordingly. If the designated rebalancing Friday falls on a market holiday, the rebalance will occur on the following business day.

Additional Portfolio Construction:

Posted in USD
Percent long: 100%
Percent short: 0%
Minimum # of longs: 20
Maximum # of longs: 60
Minimum position size: 0.1%
Maximum position size: 10%
Price type: VWAP
Rebalance frequency: Quarterly
Rebalance Dates: Third Friday of March, June, September, and December

Index Maintenance:

The Boosted.ai LLM technology will constantly read news articles, company filings, earnings reports, and other sources of information in order to determine which stocks best fit the theme of AI. These stocks will be given a score from 0 to 1 to represent their fit to the theme. On a quarterly basis, the securities that either drop below a 0.5 applicability score or out of the top 60 applicability scores will be dropped from the index. Any new securities that have increased above a 0.5 applicability, have entered the top 60 applicability scores, and have passed the market cap and daily traded volume criteria will be added to the index.

Corporate Actions:

The Boosted.ai platform handles corporate actions as listed below:

- **Spin-Offs**: When a company initiates a spin-off, the strategy involves selling the newly created entity while retaining holdings in the original company. This approach allows for deliberate and informed management of the portfolio.
- **Share splits**: In the case of a company undergoing a split, holdings will adjust based on the split. Ultimately, while holdings adapt to the split, this action doesn't necessitate a shift in the overall investment strategy.
- **Dividends**: When a company pays dividends, the standard practice is to hold these dividends as cash until the next portfolio rebalance. In this case, a quarterly rebalance.

Index Disclaimer: