

## **XAI Interval Fund Market Total Return Index**

### **1.1 Index Description**

The XAI Interval Fund Market Total Return Index (the “Index”) is a rules-based observable pricing and total return index designed to track the performance of non-listed closed-end interval funds and tender offer funds registered under the Investment Company Act of 1940.

The Index has a base date of January 1, 2023, and a base value of 200. The Index is calculated on a Total Return basis.

### **1.2 Index Committee**

The Index Committee (the “Committee”) will be composed of not less than two members of XA Investments LLC. The Committee Chair will have extensive experience with and expertise in non-listed US closed-end funds (i.e., interval funds or “tender offer funds”) (“Funds”).

The Committee will be responsible for maintaining a comprehensive list of Funds.

The Committee will then review the Funds to be included in the Index and may reject any Fund that it believes does not meet its overall standards for risk and sound business practice, despite the Fund’s ability to otherwise meet the Index Universe Eligibility Criteria outlined in section 1.3 below.

The Committee meets quarterly, either in person or via teleconference, to discuss Index issues and may address other matters such as quarterly or special rebalancings.

The composition of the Committee may from time to time be changed.

### **1.3 Index Universe Eligibility Criteria**

#### *1.3.1 Initial Universe*

To be eligible for inclusion in the Initial Universe, securities must:

*1.3.1.1* Have their domicile in the United States.

*1.3.1.2* Be registered under the Investment Company Act of 1940 (the “1940 Act”) as:

*1.3.1.2.1* An interval fund; or

*1.3.1.2.2* Identify as a non-listed closed-end fund under the 1940 Act that offers periodic share tenders (a “tender offer fund”);

- 1.3.1.3 Not have shares listed on a national stock exchange (or other stock exchange), with the exception of preferred shares<sup>1</sup> listed on a national stock exchange;
- 1.3.1.4 Have minimum total net assets of \$100 million US Dollars;
- 1.3.1.5 Have an inception date or commencement of operations of at least three months prior to base date or rebalancing date; and
- 1.3.1.6 Have a ticker symbol used to identify at least one class of shares.

### 1.3.2 *Net Asset Value Frequency*

The Fund's net asset value ("NAV") must be calculated and published on at least a weekly basis, and such NAVs must be made publicly available via NASDAQ or another similar national market system.

### 1.3.3 *Maximum Net Asset Value per Share*

Funds with a NAV per share of \$10,000 or above are ineligible for inclusion in the Index. This rule is not applicable for existing constituents. Existing constituents shall remain in the initial universe irrespective of their NAV per share.

### 1.3.4 *Security Type*

The following security types are eligible for inclusion:

- Shares of interval funds
- Shares of tender offer funds

### 1.3.5 *Share Classes*

- Only the primary share class (i.e., initial share class) of a Fund will be included as an index constituent.
  - If a Fund has multiple share classes with the same initial inception date, the share class launched on the initial inception date with the greatest number of shares outstanding will be used as that Fund's primary share class.
  - If a Fund has multiple share classes with the same initial inception date and has not yet published any data on shares outstanding per share class, the share class with the lowest sales charge and/or distribution fees (typically a "Class I") will be used as that Fund's primary share class.

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<sup>1</sup> Preferred Shares are shares issued by a fund of a class having priority over any other class as to distribution of assets or payments of dividends.

- A Fund's primary share class may be replaced by another share class as the index constituent at the discretion of the Committee, typically in such cases that the replacement share class accounts for materially more than 50% of the Fund's total NAV.

## **1.4 Security Selection Process**

All Funds from the Initial Universe that meet inclusion eligibility requirements will form the constituent list for the Index (the "Constituent Funds").

## **1.5 Weighting**

The Index is weighted based on each Constituent Fund's NAV. Any Constituent Fund with an Index weight greater than 15% will be capped at 15% and the remaining weight of that Constituent Fund will be redistributed proportionally to the remaining Constituent Funds in the Index. The five (5) highest-weighted Constituent Funds will be capped at a cumulative 75% of the Index's weight; the remaining cumulative weight of the five (5) Constituent Funds will be redistributed proportionally to the remaining Constituent Funds in the Index.

## **1.6 Buffer Rules**

Buffer Rules are employed to reduce Index turnover. The following buffer rules apply:

### *1.6.1 NAV*

A Constituent Fund shall continue to be included in the Index if its NAV decreases to a level below \$100 million, as long as its NAV is greater than or equal to 75% of the previously defined NAV minimum in section 1.3.1.4. To illustrate, if an existing Constituent Fund qualifies all other selection criteria but doesn't qualify the NAV criteria to the extent of a 20% reduction then it will be retained in the Index.

## **2 Index Calculator**

### *2.1.1 Index Calculator*

The calculator of this Index is Indxx, Inc. (the "Calculation Agent").

### *2.1.2 Calculation Frequency*

The Index is calculated on a daily basis using 5:00pm eastern time zone (“EOD”) reported NAVs. The Calculation Agent is responsible for Index price dissemination.

## **2.2 Index Publisher**

This Index is published by the Calculation Agent.

## **2.3 Index Creator and Administrator**

This index is created, administered and edited by XA Investments LLC under the management of the Committee.

## **2.4 Index Changes, Reconstitutions and Rebalances, and Selection Rules**

### *2.4.1 Index Changes*

Index changes take place at each rebalancing date, except in the event of certain corporate actions, such as mergers, acquisitions, and Constituent Fund closures, which may result in a Constituent Fund deletion. When a Constituent Fund is deleted, no replacement Constituent Fund is added. Upon deletion, the weight of the removed Constituent Fund is reallocated evenly to the remaining constituents. In such cases, the change is applied on the effective date of the action, unless otherwise determined by the Committee. Whenever possible, changes will be announced at least two business days prior to their implementation.

### *2.4.2 Reconstitutions and Rebalances*

The Index is reconstituted and rebalanced on a quarterly schedule. The rebalanced Index is calculated effective as of EOD on the last trading day of March, June, September and December each year. This day is called the “Rebalance Date.”

The Committee submits to the Calculation Agent a list of Funds that are eligible for inclusion in the Index. All candidates and current Constituent Funds are screened against the Index Universe Eligibility Criteria in Section 1.3, and weights are applied based on the weighting methodology described in Section 1.6.

The Committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled Rebalance Date. Any such change will be announced with proper advance notice where possible.

### *2.4.3 Selection Day*

The selection process starts on the “Selection Day.” The Index constituent list is created based on the data as of the Selection Day.

### 3 Roles and Process in the Quarterly Reconstitution and Rebalance

- 3.1 The Committee, or its designee, will submit to the Calculation Agent a list of funds for inclusion in the Index at EOD no later than seven days prior to the Rebalance Date.
- 3.2 The Calculation Agent will use the remaining criteria in Section 1.3 to statistically screen the list of Funds to confirm their eligibility for the Index based on values and provide final proposed index weights to the committee within two business days of receipt.
- 3.3 The Committee shall approve or reject the changes and notify the Calculation Agent of its decisions not later than two business days prior to the Rebalance Date (“Selection Day”).
- 3.4 On the Selection Day, the Committee or its designee will issue a press release announcing additions and deletions to the Index. The press release will be posted on the Index website, as applicable.
- 3.5 The effective date of the rebalancing will be the close of business on the last business day of the rebalancing month. The Calculation Agent will provide all final rebalancing data and information to the Committee and all Index licensees prior to the open on the next business day following the Rebalance Date.
- 3.6 The Index will post all rebalancing data on its website, as applicable, prior to the open on the next business day following the Rebalance Date.

### 4 Calculation of Index Values

- 4.1 The Calculation Agent will calculate (i) NAV Index values using NAV values it receives on each Constituent Fund; and (ii) Total Return Index values using NAV values it receives on each Constituent Fund along with dividend and/or distribution information, immediately following the close of trading on US stock markets on each business day.
- 4.2 The Index is calculated daily using 6:00pm (eastern time zone) reported NAVs. If the NAV of a Constituent Fund is unavailable, the previous trading day’s NAV is used.

$$4.2.1 \quad \text{Index}_t = \frac{\sum_{i=1}^n (P_{it} \times Q_{it})}{\sum_{i=1}^n (P_{i0} \times Q_{i0})} \times \text{Base Index Value} = \frac{M_t}{B_t} \times \text{Base Index Value}$$

**This formula is simplified as  $\text{Index}_t = \frac{M_t}{D_t}$**

$$D_t = \frac{B_t}{\text{Base Index Value}} = \text{divisor at time } (t)$$

$n$  = the number of Constituent Funds in the index

$P_{i0}$  = the NAV per share of Constituent Fund  $i$  at the base date

$Q_{i0}$  = the number of shares of Constituent Fund  $i$  at the base date

$P_{it}$  = the NAV per share of Constituent Fund  $i$  at time  $(t)$

$Q_{it}$  = the number of shares of Constituent Fund  $i$  at time  $(t)$

$t$  = the time the index is computed

$M_t$  = market capitalization of the index at time  $(t)$

$B_t$  = adjusted base date market capitalization of the index at time  $(t)$

### **4.3 Dividends and Distributions**

Dividends and distributions are not taken into account in the NAV Index. However, dividends and distributions are reinvested in the Constituent Funds of the Total Return Index on a proportional basis.

### **4.4 Corporate Actions**

#### *4.4.1 Divisor Adjustments (NAV Index)*

Divisor adjustments for corporate actions are not appropriate because divisor uses NAV as opposed to market price.

#### *4.4.2 Divisor Adjustments (Total Return Index)*

The divisor will be adjusted when each Constituent Fund pays a dividend and/or distribution. Divisor adjustments will be made upon confirmation of receipt of dividends and/or distributions on a post-ex-date basis.

### **4.5 Holidays**

The Index is calculated on all weekdays. In situations when the NASDAQ is closed for a trading holiday and Constituent Fund NAVs are not available, the Index will be

calculated based on the last regular NAV for each Constituent Fund before the exchange closed.

#### **4.6 Computational Precision**

Index values and divisors are rounded to two decimal places.

### **5 Data Corrections**

- 5.1** While every effort is taken to ensure the accuracy of the information used for the Index calculation, an Index error may occur due to incorrect or missing data, including NAVs, shares outstanding and corporate actions, due to operational errors or other reasons.

*5.1.1 Index-Related Data and Divisor Corrections.* Incorrect NAV, share count, and corporate action data for Constituent Funds in the database will be corrected upon detection. Incorrect daily high/low Index values will be corrected as soon as practicable. In addition, an incorrect divisor of the Index, if discovered within five days of its occurrence, will be fixed on the day it is discovered to prevent an error from being carried forward.

*5.1.2* If a divisor error is discovered more than five days after occurrence, the Committee will meet and determine whether an adjustment is appropriate. Adjustments will depend upon how significant the error is, how far back the error occurred and the feasibility of performing the adjustment.

## DISCLOSURES

The information presented herein is presented in summary form and is, therefore, subject to qualification and further explanation. It is intended for informational purposes only and not intended for trading or investment purposes. The addition, removal or inclusion of a security in the XAI Interval Fund Market Index (the “Index”) is not a recommendation to buy, sell, or hold that security, nor is it investment advice. It is not possible to invest directly in an index. Index performance does not reflect the deduction of any fees and expenses.

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