

Emles Index Rebalance: FAQ

Why do we rebalance Emles Indexes?

Rebalances and reconstitutions have been used in an interchangeable manner and are similar, but different, in the sense that rebalances seek to simply rebalance or re-weight the index constituents' holdings within the index framework, i.e. the weighting of an individual security shifts from 4% to 5% as an example. A reconstitution combines index additions and deletions with the rebalance to reflect a more complete version of an index realignment.

Indexes require this realignment periodically to reflect the change in market value of those underlying constituents. Depending on the index methodology, as a constituent increases its market capitalization, it will hold a greater weight in the index if it is a market capitalization weighted index, inversely it will hold a smaller weighting in the index if it is a reverse market cap weighted index. There are also indexes that do not weight to market capitalization but to a different criterion such as revenue, dividends or some other metric.

Rebalances and reconstitutions are a powerful tool to realign the index periodically to its methodology and seeks to provide better diversification to its underlying constituents.

When do we rebalance Emles Indexes?

Emles Indexes, through Emles Indexing LLC, seek to rebalance/reconstitute on the third Friday quarterly post market close, in March, June, September and December, see below;

Emles Home Lifestyle Index

Emles American Manufacturing Index

Emles Global Luxury 50 Index

Emles Federal Contractors Index

Emles Protective Allocation Index

Other indices that are licensed will rebalance and/or reconstitute on a different schedule such as below; Solactive U.S. Real Estate Bond Index – last business day of the month.

Why do we rebalance Emles Indexes on a quarterly basis?

Emles Indexes try to balance the costs associated with more frequent rebalancing schedules versus the benefits of having an Index that rebalances frequently and realigns its index weightings and names accordingly. The quarterly rebalance/reconstitution also allows an opportunity to introduce new constituents and to remove those constituents that no longer qualify or are less attractive relatively to other names in the Index.

What is the rules-based process that goes into the Emles Index rebalance?

Each individual Index has its own process in terms of security selection, which is defined in the Index Methodology document. The methodology will lay out the types of securities that are eligible for inclusion with the various selection criteria which then combine to create an index that conforms to the rules for the index.

Where can I find more information on your methodologies?

More information on Emles Indexes can be found at www.emles.com

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