



**S-Network Composite Closed-End Fund Index**

**CEFX**

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## Introduction

### Index Objective

The CEFX index is a mutual fund index designed to serve as a benchmark for closed-end funds listed in the US that are principally engaged in asset management processes designed to produce taxable annual yield. The CEFX index employs a modified total net assets weighting methodology designed to assure accurate investment exposure across the various business segments.

### Index Family & Highlights

The CEFX index contains closed-end funds selected from a universe of approximately 200 closed-end funds domiciled in the United States.

It divides into three main sectors that produce taxable annual yield:

- Investment Grade Fixed Income Closed-End Funds
- High-Yield Fixed Income Closed-End Funds
- Option Income Closed-End Funds

### Dates

Reference Date: Close of second Friday of last month in each calendar quarter

Reconstitution Date: Indexes reconstituted quarterly on the close of the last business date of each calendar quarter.

Weight Date: Close of business on the business date prior to the Tuesday following the third Friday of the last month in each calendar quarter.

Rebalance Date: Indexes are rebalanced quarterly on the close of the last business date of each calendar quarter.

## Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein.

The list of the main supplemental documents for this methodology can be found in the Methodologies and Governance tabs on the [Index Resources](#) page as follows:

Supporting Documents
Index Maintenance Policy
Index Governance
Index Policies

Methodology Policies
Glossary
Index Change and Consultation Policy

## Eligibility Criteria and Index Construction

### Universe

Closed-end funds, domiciled in the United States, that produce taxable annual yield and are classified as Investment Grade Fixed Income Closed-End Funds, High-Yield Fixed Income Closed-End Funds, or Option Income Closed-End Funds.

## Index Construction

### Constituent Selection

The Index includes all funds within the Universe that meet the following criteria:

- a. The closed-end fund must be organized under the laws of the United States and meet all legal and regulatory criteria pursuant primarily to the relevant sections (Section 4(a)(2) and Section 23) of the Investment Company Act of 1940, and in compliance with the relevant sections of the Investment Company Acts of 1933 and 1934.
- b. The closed-end fund must have as its stated objective one of the three categories used to distinguish sectors. These are a) fixed-income; b) high yield fixed-income; and c) option income.
- c. The closed-end fund's shares must trade on a recognized North American stock exchange that provides a "last closing price". (National Stock Exchange, formerly NASDAQ, stocks must be "reported securities" under 11Aa3-1 of the Securities and Exchange Act, i.e., National Market System stocks.)
- d. The minimum capitalization value for any closed-end fund will be greater than USD one hundred million.
- e. Closed-end funds whose shares have traded at average premium/discounts of 20% (plus or minus the average premium/discount for all universe constituents) or more to their net asset values for the ten business days prior to the second Friday of the rebalancing month ("the record date") shall be excluded from the index.
- f. To meet eligibility requirements, a non-constituent must maintain a management fee below 1.25%, while a current constituent must maintain a management fee below 1.5%.

- g. Closed-end funds must have an average daily turnover (shares traded X share price) of more than USD .5 million per day for the three months prior to the record date to be eligible for inclusion in the index and a current constituent must trade at least 300,00 daily.
- h. A fund must have been trading for more than three calendar months (“Recent IPO”) prior to a rebalancing date to be included in the index.
- i. Once included in the index, a constituent may fall outside a certain eligibility threshold by up to 25% except for turnover criterion and management fee criterion whose expanded thresholds are 300,000 USD and 1.5% respectively.
- j. Term trusts must have a termination date of 3 or more years from the effective date of the new portfolio to be eligible for inclusion.

### Constituent Weightings & Constraints

Closed-end funds are weighted based on their adjusted net assets.

- a. Net assets are adjusted based on the following formula: a) Net assets are multiplied by a factor of 1.3 for closed-end funds trading at a discount greater than 6% or more of the average premium/discount of all included funds; b) Net assets are multiplied by a factor of 1.2 for closed-end funds trading at a discount of greater than 3% but less than 6% of the average premium/discount of all included funds; c) Net assets are multiplied by a factor of 1.1 for closed-end funds trading at a discount greater than 0% but less than 3% of the average premium/discount of all included funds; d) Net assets are multiplied by a factor of .7 for closed-end funds trading at a premium greater than 6% of the average premium/discount of all included funds; e) Net assets are multiplied by a factor of .8 for closed-end funds trading at a premium greater than 3% but less than 6% of the average premium/discount of all included funds; f) Net assets are multiplied by a factor of .9 for closed-end funds trading at a premium greater than 0% but less than 3% of the average premium/discount of all included funds.
- b. Any stock with a weight greater than 8% of the CEFX will be capped at 8% and the remaining weight shall be redistributed on a proportional basis to the remaining funds in the index.
- c. The total weight of all the funds contained in the index with weights greater than 5%, following the capping described in Section VI(ii) shall be capped at 45%. The weights of the funds with weights over 5% shall be reduced on a proportional basis and added to the weights of the funds with weights under 5% on a proportional basis. Certain smoothing procedures may be applied to assure weighting consistency.

## Index Maintenance

### Rebalancing and Reconstitution

The Indexes are rebalanced on the “Rebalance Date” and additionally reconstituted on the “Reconstitution Date”. Eligibility is determined as of the “Reference Date” and pricing used in share weights used for rebalancing and reconstitutions are as of the “Weight Date”. Changes to the Indexes related to the rebalances and reconstitution are as of the “Rebalance Date” and “Reconstitution Date”. Additions are only made on reconstitution dates.

### Corporate Actions

Please refer to the Index Maintenance Policy document for information on Corporate Action processing.

## Base Date and History Availability

Index history availability, base dates and base values are shown in the table below.

Index	Price Index	Base Date	Base Value	Total Return Index	Base Date	Base Value	Launch Date
S-Network Composite Closed-End Fund Index	CEF	12/31/05	967.03	CEFTR	12/31/05	967.03	01/07/10

## Index Calculation

Please refer to the Index Maintenance Policy document for information on index calculations.

## Index Governance

The index is governed and managed by a VettaFi Index Committee for the purpose of meeting the goals of the index. For more information, please refer to the Index Governance document.

## Index Policies

Please refer to the Index Policies document for information regarding Announcements, Holiday Schedules, Unexpected Exchange Closures, and Recalculation Policy.

## Contact Information

For any questions regarding an index, please contact: [index.production@vettafi.com](mailto:index.production@vettafi.com)

## Disclaimer

The Indices are proprietary to VettaFi. No use or publication may be made of an Index, or any of its provisions or values, without the prior written consent of VettaFi. VettaFi is not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. In no event shall VettaFi be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content.