



**Zacks**

**INDEX  
SERVICES**

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**A DIVISION OF ZACKS  
INVESTMENT MANAGEMENT**

**SPROTT ZACKS  
JUNIOR GOLD MINERS INDEX**

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## 1. INDEX SUMMARY

<b>Full Name</b>	Sprott Zacks Junior Gold Miners Index
<b>Index Types</b>	Price Appreciation Index (Ticker: ZAXSGDJ) Total Return Index (Ticker: ZAXSGDJT)
<b>Eligible Stocks</b>	Common Stocks, ADRs, or GDRs of gold and silver mining companies that are listed on major U.S. exchanges and the Toronto Stock Exchange in Canada.
<b>Number of Constituents</b>	No less than 30 constituents and No more than 40 constituents
<b>Weighting Scheme</b>	Modified Market Capitalization Weighted
<b>Rebalancing &amp; Reconstitution Frequency</b>	Effective Semi-annually after the close of the 3rd Friday in May and November
<b>Calculation Frequency</b>	Price Return: 15 seconds between 09:30 & 18:00 ET Gross Total Return: Once-a-Day between 19:00 & 20:15 ET
<b>Base date</b>	05/31/2008
<b>Base level</b>	1000.00
<b>Historical Returns available since</b>	05/31/2008
<b>Bloomberg Code</b>	ZAXSGDJ INDEX / ZAXSGDJT INDEX
<b>Reuters Code</b>	.ZAXSGDJ / .ZAXSGDJT
<b>Derivatives and Linked Products</b>	Sprott Junior Gold Miners ETF (NYSE Arca: SGDJ)

## **2. DISCLAIMER**

### **Cases uncovered by the rules provided in this document**

Should Zacks Index Services (ZIS) encounter cases that are not covered by the rules provided in this document, ZIS reserves the right to apply adjustment to the rules that are believed to be along the lines of the purpose of the index.

### **Index Rule Changes**

ZIS reserves the right to amend or withdraw the index rules in whole or in part at any time. ZIS and its affiliates (Zacks Investment Management and Zacks Investment Research) are not liable for any losses resulting from the index rule changes.

### **Liability**

Although ZIS will do its best to ensure the accuracy of all the data and the calculations involved in the periodic index updates, it is not liable for any unforeseen outcomes caused by any inaccuracy in data or human errors.

### **Ownership**

ZIS is the owner of all intellectual and other property rights to the index, including the name, the composition and the calculation of the index.

## **3. INDEX METHODOLOGY**

### **3.1. Overview**

Sprott Zacks Junior Gold Miners Index (“the Index”, hereafter) aims to generally track the performance of Gold and Silver mining companies whose stocks are traded on major U.S. exchanges or Toronto Stock Exchange in Canada. While ensuring that investible companies are included in the index, Zacks uses its proprietary, rules-driven model to provide an index that seeks to outperform a purely passive representation of the smaller market capitalized companies in the Gold and Silver mining industry.

Specifically, if more than 40 stocks are in the initial investable universe, only 40 stocks with the highest beta to the spot gold price movement would be selected to reflect the view of more opportunistic market participants. Additionally, the index emphasizes those stocks with the strongest relative Revenue Growth and Price Momentum by allocating a greater weight than otherwise warranted.

### **3.2. Investable Universe**

Stocks that meet the below conditions are included in the investable universe:

- Equity shares that are traded on major exchanges within the U.S., such as the NYSE, NASDAQ, and NYSE MKT, or the Toronto Stock Exchange in Canada. OTC-traded stocks are ineligible.
- Gold mining and silver mining stocks that, according to the Zacks Expanded Industry definition, derive more than 50% of their revenue from their respective mining classification.
- Current market capitalization falls into the range of over \$250 million and below \$2 billion.
- Constituent must have a 3 month average daily cash trading volume of \$500,000 prior to reconstitution/rebalance.
- If a constituent is dually-listed, the more liquid constituent will be selected.

NOTE-1: In case the above conditions result in fewer than 30 constituents, the \$250 million market cap minimum will be lowered in increments of \$50 million until the index has at least 30 constituents that satisfy the selection criteria. Also, in case the above conditions result in more than 40 constituents, only the 40 constituents with the highest Gold Beta values would be selected.

NOTE-2: In case the above conditions result in fewer than 30 constituents, the 3 month average daily cash trading volume of \$500,000 will be relaxed such that the constituent with the next highest cash trading volume will be selected until the index has at least 30 constituents that satisfy the selection criteria.

### **3.3. Selection & Weighting**

1. The gold beta, for stocks in the investable universe, is calculated (and defined as a sensitivity measure based on regression against the spot gold price movement during the trailing 24 months).
2. The highest gold beta values are selected. During this step, it is ensured that at least 80% of the names would be from the gold segment of the investable pool.
3. The selected stocks are used to create a modified market capitalization weighted portfolio with a maximum allocation of 6% and minimum allocation of 0.6% to a single constituent. This is referred to as “Base Weight”.
4. A 2-factor model that utilizes “Year-over-Year Dollar Revenue Growth” and “3-month Share Price Momentum” provides each constituent in the portfolio with a model score.
5. The bottom one-third of the portfolio that receive the worst scores are penalized by losing half of their Base Weight. Excess weight collected in this way is proportionately distributed among the top one-third of the portfolio that receive the best scores.
6. The Index is subject to the following constraints at Reconstitution/Rebalance:
  - a. No single constituent shall account for more than 9% of the weight in the index.
  - b. The sum of those stocks that individually account for more than 5% cannot, in aggregate, exceed 45% of the index.
  - c. The cumulative weight of gold mining constituents shall be at least 80%, while the cumulative weight of silver mining constituents shall not exceed 20%.

### **3.4. Rebalancing Frequency**

The Index is to be reconstituted and rebalanced twice a year as per the rules and methodology laid out above.

### **3.5. Corporate Actions**

The Index may be adjusted for intra-rebalance corporate actions in order to maintain the continuity of the index level and composition. These adjustments take place in reaction to events that occur on the company/constituent level and are designed to mitigate or eliminate the effect of those events on the index performance. This ensures that the index continues to only reflect the performance of the underlying portfolio as accurately as possible.

Any stock that is not available for trading due to a merger, acquisition, delisting or bankruptcy is deleted from the Index on the effective date of the corporate event. There will normally be no replacement for the company being removed. If a company is removed from the index, the index divisor will be adjusted to maintain the index level.

If there is a merger or acquisition between two members of the Index, then the acquired company will be deleted and the shares of the acquirer will be increased as per the terms of the merger consideration paid in shares. If there is an acquisition of a member of the Index by a non-member, then the acquired company will be deleted from the index. If there is an acquisition of a non-member by a member of the index, then there will be no changes made.

If a company files for bankruptcy, then the company will be deleted from the index effective for the next trading day. The price of the deletion will be set to its closing price on the OTC markets, if it is available for trading that day. If the stock does not trade on the OTC markets, and a price is not readily available, the Index Committee reserves the right to set a price at which it will be deleted. This price could be equal to \$0, if there is no available indication of its current value.

In the situation that trading in shares is suspended or halted, the last known price established during regular trading on the primary exchange will be utilized. In extraordinary situations, a company could be valued at a price of \$0 by the Index Committee if there is some sort of financial distress or bankruptcy situation present.

In the event of a spin-off by a constituent of the index, the price of the parent company will be adjusted by the value of the spun-off entity. The shares of the parent company will be increased to maintain the existing constituent weighting within the index.

Regular cash dividends will be accounted for in the total return version of the index. Dividends that are deemed to be special cash dividends will be adjusted for via a price adjustment and corresponding share increase to maintain the constituent's existing weighting within the index. Dividends will be judged to be special by the Index Committee taking into account the size of the dividend as well as more commonly the identification of the dividend relative to the timing of its normal dividend reporting schedule.

In the case of a rights issue being offered by an index constituent, the price of that constituent will be adjusted for by the value of the right effective for the ex-date. The shares of the constituent will be increased to maintain the constituent's existing weighting within the index. The rights issue will only be adjusted for if the rights represent a positive value, or are in-the-money. Alternatively, the rights issue will also be adjusted for if the rights can be converted into a tangible cash value.

For bonus issues, stock splits and reverse stock splits, the number of shares included in the index will be adjusted in accordance with the ratio given in the corporate action. Since the event won't change the value of the company included in the index, the divisor will not be changed because of this.

Changes in the number of shares outstanding, typically due to share repurchases, tenders, or offerings, will not be reflected in the index.

#### **4. Index Calculation and Dissemination**

NYSE Arca, Inc., a wholly-owned subsidiary of NYSE Group, Inc. ("the Agent", hereafter), has been selected as an index calculation agent acting on behalf of ZIS. The Agent calculates the index values for both the Price and Total Return indexes, and handles index maintenance work such as the application of corporate actions and implementation of rebalances, all according to the specifications provided by ZIS. The Agent also updates and disseminates the index values, notably, through Bloomberg and Reuters through its NYSE Global Index Feed (GIF).