



Alerian National Security Emerging Markets Index (SNNSEM)

Table of Contents

Introduction	3
Index Objective	3
Highlights	3
About NSG Index, LLC.....	3
Dates	3
Supporting Documents	3
Eligibility Criteria and Index Construction	4
Universe	4
Exclusionary Screens.....	4
Constituent Selection.....	5
Constituent Weightings	5
Index Maintenance	5
Reconstitutions	5
Rebalancing.....	5
Corporate Actions	6
Currency of Calculation.....	6
Index Information	6
Appendix – Exclusionary Screens.....	6
Screen One: Sanctions	6
Screen Two: Defense Contractor or Supplier	7
Screen Three: Controlled Items with Dual Use	8
Screen Four: Influence Operations	8
Screen Five: U.S. Interests	9
Screen Six: Cybersecurity	10
Screen Seven: Espionage	10
Screen Eight: Human Rights	11
Screen Nine: Disputed Areas	12
Disclaimer.....	13

Introduction

Index Objective

The Alerian National Security Emerging Markets Index (SNNSEM) (the “Index”) is an Index of emerging market stocks listed on globally recognized stock exchanges that exclude companies benefiting end-users that threaten the national security interests of the United States.

Highlights

The Index is subject to a rules-based process that filters out emerging market companies that appear on one or more of nine investment screens defined by NSG Index, LLC. The screens are based on sanction programs and companies supplying military equipment from “countries of concern”, involved in threatening activities, operate in certain disputed areas, or violate human rights. The term “countries of concern” references the People’s Republic of China (“China”) and the Russian Federation (“Russia”).

About NSG Index, LLC

NSG Index, LLC, d/b/a National Security Index, a Virginia limited liability corporation, produces and maintains the exclusion list for the Index. The executive leadership of National Security Index pioneered the concept of National Security Governance (“NSG”) as an impact investing theme. The Chief Investment Officer directs the NSG Investing Process: collection; processing; analysis and production; dissemination and integration. The Senior Advisor assists with the NSG Investing Process to help maintain quality standards and promote best practices. National Security Index employs leading open-source intelligence tools, including resources in use by federal agencies, to track and assess entities of concern across global capital markets. National Security Index’s first-of-its-kind exclusion list process is modeled on the U.S. Intelligence Cycle. In support of an objective standard, the Director of External Affairs solicits nonmaterial information and advice from national security professionals in the fields of defense, intelligence, export controls, foreign affairs, and human rights.

Dates

Reconstitution Dates: The Index is reconstituted semi-annually on the third Friday of June and December.

Record Date: Thursday before 2nd Friday of Rebalance Month.

Rebalance Dates: Indexes are rebalanced quarterly on the third Friday of the last month of each calendar quarter.

Semi-Annual Reviews: May and November.

Supporting Documents

This methodology is 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

Universe: S-Network Emerging Markets Liquid 500 Index and constituent securities of the S-Network Developed International Equity 1000 Index from South Korea and Taiwan.

Exclusionary Screens

1) Company subject to a U.S. Government sanctions program.

Companies subject to U.S. Government economic, financial, and trade sanctions or designations, as defined by the U.S. Department of Treasury Office, the U.S. Department of Commerce, the U.S. Department of Defense, the U.S. Department of State, or other federal agency, or as defined in presidential executive orders. U.S. Government sanctions lists include, but are not limited to, the following:

- a. Denied Persons List (Commerce)
- b. Unverified List (Commerce)
- c. Entity List (Commerce)
- d. Military End User List (Commerce)
- e. Nonproliferation Sanctions (State)
- f. Arms Export Control Act Debarred List (State)
- g. Specially Designated Nationals List (Treasury)
- h. Foreign Sanctions Evaders List (Treasury)
- i. Sectoral Sanctions Identifications List (Treasury)
- j. Palestinian Legislative Council List (Treasury)
- k. Correspondent Account of Payable-Through Account Sanctions (Treasury)
- l. Non-SDN Menu-Based Sanctions List (Treasury)
- m. Non-SDN Chinese Military-Industrial Complex Companies List (Treasury)
- n. Chinese Communist Military Companies (Defense)

- o. Chinese Military Companies (Defense)
- 2) Defense contractor or supplier of U.S. Munitions in List items a country of concern.
- 3) Company in a country of concern that provides Commerce Control List items to a military end-user, or that is involved in a military-civil fusion program.
- 4) Company that engages in state-sponsored influence operations targeted against the U.S. or its allies.
- 5) Company that is a strategic threat to U.S. interests.
- 6) Company that is an active cybersecurity threat to the U.S. or its allies.
- 7) Company that is an active espionage threat to the U.S. or its allies.
- 8) Human rights violator.
- 9) Operator in disputed areas of the South China Sea or East China Sea.

(See Appendix for additional information on the investment screens and associated rules.).

Constituent Selection

The Index selects all securities from the eligible universe excluding those that fail the NSG screening process.

Constituent Weightings

Securities are free float-adjusted market capitalization weighted. Sector weights are set to match the sector weights of the S-Network Emerging Markets Liquid 500 Index.

The constituents' Index Shares will be based on prices as of the close of trading on the day prior to the second Friday of the rebalancing month.

Index Maintenance

Reconstitutions

The Indexes are reconstituted on the "Reconstitution Dates" using filters determined in the "Semi-Annual Reviews".

Rebalancing

The Indexes are rebalanced on the "Rebalance Dates".

Pricing used in share weights used for reconstitutions are as of the "Record Date".

Share weights for the rebalanced Indexes are computed as of the "Record Date".

Changes to the Indexes related to the rebalances are as of the "Rebalance Date".

Additions are only made on reconstitution dates.

Corporate Actions

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

Currency of Calculation

USD

Index Information

Index	Type	Ticker	Base Date	Base Value	Launch Date
Alerian National Security Emerging Markets Index	Price	SNNSEM	01/03/2000	1000	03/21/2022
Alerian National Security Emerging Markets Index	Total Return	SNNSEM T	01/03/2000	1000	03/21/2022

Appendix – Exclusionary Screens

The following nine screens and associated rules form the National Security Governance filter used to exclude companies from the baseline index of the Alerian National Security Emerging Markets Index. In this index methodology supplement, “U.S. Government” means the federal government of the United States or any instrumentality or agency thereof. Countries of concern are the People’s Republic of China (“China”) and the Russian Federation (“Russia”).

Screen One: Sanctions

Screen One excludes companies subject to U.S. Government economic, financial, and trade sanctions or designations, as defined by the U.S. Department of Treasury, the U.S. Department of Commerce, the U.S. Department of Defense, the U.S. Department of State, or other federal agency, or as defined in presidential executive orders. U.S. Government sanctions and designations include but are not limited to the following lists (managing department in parentheses): (a) Denied Persons List (Commerce); (b) Unverified List (Commerce); (c) Entity List (Commerce); (d) Military End User List (Commerce); (e) Nonproliferation Sanctions (State); (f) Arms Export Control Act Debarred List (State); (g) Specially Designated Nationals (SDN) List (Treasury); (h) Foreign Sanctions Evaders List (Treasury); (i) Sectoral Sanctions Identifications List (Treasury); (j) Palestinian Legislative Council List (Treasury); (k) Correspondent Account of Payable-Through Account Sanctions (Treasury); (l) Non-SDN Menu-Based Sanctions List (Treasury); (m) Non-SDN Chinese Military-Industrial Complex Companies List (Treasury); (n) Chinese Communist Military Companies (Defense); and (o) Chinese Military Companies (Defense).

Screen 1 – Sanctions	Rules
Screen 1a: Denied Persons List	Excluded if company or affiliate is on list.
Screen 1b: Unverified List	Excluded if company or affiliate is on list.
Screen 1c: Entity List	Excluded if company or affiliate is on list.
Screen 1d: Military End User List	Excluded if company or affiliate is on list.
Screen 1e: Nonproliferation Sanctions	Excluded if company or affiliate is on list.

Screen 1f: Arms Export Control Act Debarred List	Excluded if company or affiliate is on list.
Screen 1g: Specially Designated Nationals List	Excluded if company or affiliate is on list.
Screen 1h: Foreign Sanctions Evaders List	Excluded if company or affiliate is on list.
Screen 1i: Sectoral Sanctions Identifications List	Excluded if company or affiliate is on list.
Screen 1j: Palestinian Legislative Council List	Excluded if company or affiliate is on list.
Screen 1k: Correspondent Account of Payable-Through Account Sanctions	Excluded if company or affiliate is on list.
Screen 1l: Non-SDN Menu-Based Sanctions List	Excluded if company or affiliate is on list.
Screen 1m: Non-SDN Chinese Military-Industrial Complex Companies List	Excluded if company or affiliate is on list.
Screen 1n: Chinese Communist Military Companies	Excluded if company or affiliate is on list.
Screen 1o: Chinese Military Companies	Excluded if company or affiliate is on list.

Screen Two: Defense Contractor or Supplier

Screen Two excludes defense contractors and suppliers of U.S. Munitions List (USML) items in a country of concern. A defense contractor in a country of concern is a commercial entity that contracts directly with the People’s Liberation Army or the Russian Armed Forces to provide USML items. A supplier of USML items in a country of concern is a company in China or Russia that produces defense-related articles and services. The articles, services, and related technical data designated as defense articles or defense services in sections 38 and 47(7) of the Arms Export Control Act constitute the USML. The USML has twenty-one categories: I. Firearms and Related Articles; II. Guns and Armament; III. Ammunition and Ordnance; IV. Launch Vehicles, Guided Missiles, Ballistic Missiles, Rockets, Torpedoes, Bombs, and Mines; V. Explosives and Energetic Materials, Propellants, Incendiary Agents, and Their Constituents; VI. Surface Vessels of War and Special Naval Equipment; VII. Ground Vehicles; VIII. Aircraft and Related Articles; IX. Military Training Equipment and Training; X. Personal Protective Equipment; XI. Military Electronics; XII. Fire Control, Laser, Imaging, and Guidance Equipment; XIII. Materials and Miscellaneous Articles; XIV. Toxicological Agents, Including Chemical Agents, Biological Agents, and Associated Equipment; XV. Spacecraft and Related Articles; XVI. Nuclear Weapons Related Articles; XVII. Classified Articles, Technical Data, and Defense Services Not Otherwise Enumerated; XVIII. Directed Energy Weapons; XIX. Gas Turbine Engines and Associated Equipment; XX. Submersible Vessels and Related Articles; and XXI. Articles, Technical Data, and Defense Services Not Otherwise Enumerated. The last category is a catch-all for any item not specifically enumerated but which has substantial military applicability, and which has been specifically designed or modified for military purposes, as determined by the Directorate of Defense Trade Controls. The USML is found in the U.S. Code of Federal Regulations and is administered by the Directorate of Defense Trade Controls in the Bureau of Political-Military Affairs at the U.S. Department of State.

Screen 2 – Defense Items	Rules
Screen 2a: Defense contractor	Excluded if company is a defense contractor that provides USML items in China or Russia.
Screen 2b: Munitions list supplier	Excluded if company produces or supplies USML items in China or Russia.

Screen Three: Controlled Items with Dual Use

Screen Three excludes companies and affiliates in a country of concern that provide Commerce Control List (CCL) items to a military end-user or that is in a military-civil fusion (MCF) program in China or Russia. Screen Three uses the U.S. Government’s definition of CCL items in Supplement 1 to Part 774 of the Export Administration Regulation (EAR), found in the U.S. Code of Federal Regulations, to define controlled items with “dual-use” – those with both civilian and military applications. CCL items require an export license from the U.S.

Department of Commerce pursuant to the EAR. The EAR regulates the export and re-export of commercial items with dual-use value across ten CCL categories: 0—Nuclear Materials, Facilities and Equipment and Miscellaneous; 1—Materials, Chemicals, “Microorganisms,” and Toxins; 2—Materials Processing; 3—Electronics; 4—Computers; 5—Telecommunications and Information Security; 6—Lasers and Sensors; 7—Navigation and Avionics; 8—Marine; and 9—Aerospace and Propulsion. The Bureau of Industry and Security (BIS) in the U.S. Department of Commerce maintains the CCL and the Military End User List. A military end-user is a foreign party that is prohibited from receiving a CCL item unless the exporter secures a license from BIS. The party has been determined by the U.S. Government to represent an unacceptable risk of use in or diversion to a military end-use or military end-user in a country of concern, including China and Russia. The U.S. Department of State defines a military-civil fusion program as a national strategy to develop advanced military capabilities by leveraging civilian assets. Central to MCF is the removal of barriers between a nation’s civilian and research sectors and its military and defense industrial sectors. Technologies targeted under MCF include quantum computing, big data, semiconductors, fifth generation wireless technology, advanced nuclear technology, aerospace technology, and artificial intelligence. A company overtly engaged in an MCF program is deemed to be providing controlled items with dual use to a military end-user in a country of concern.

Screen 3 – Dual-Use Items	Rule
Screen 3a: Commerce Control List items	Excluded if company or affiliate in a country of concern provides CCL items to a military end-user in China or Russia.
Screen 3b: Military-Civil Fusion program	Excluded if company in a country of concern engages in an MCF program in China or Russia.

Screen Four: Influence Operations

Screen Four excludes companies that engage in state-sponsored influence operations targeted against the U.S. or its allies. Influence operations involve the collection of information about an adversary and the dissemination of propaganda, misinformation, or disinformation in pursuit of a strategic advantage. Influence operations, also known as information operations and warfare, attempt to unduly drive or disrupt a target state’s decision-making process. Screen Four focuses on cyber-enabled information operations and warfare because they are a force multiplier for state-sponsored influence campaigns. Cyber-enabled information operations use social media, botnets, and other online activities to amplify a message or narrative, oftentimes with the objective of fomenting discord and confusion in the target audience. Cyber-enabled information operations can also be used for purposes of election interference. The U.S. Government has

identified companies involved in the production of software applications that pose an undue risk of influence operations against the American public.

Screen 4 – Influence Operations	Rule
Screen 4a: Software applications	Excluded if company or affiliate engages in state-sponsored, cyber-enabled influence operations against the U.S. or its allies through social media or other software applications, as determined by the U.S. Government.
Screen 4b: Election interference	Excluded if company or affiliate engages in state-sponsored influence operations against the U.S. or its allies to influence political election outcomes, as determined by the U.S. Government.

Screen Five: U.S. Interests

Screen Five excludes companies that are a strategic threat to U.S. interests. National interests are defined by the President of the United States, executive branch officials, or a declared U.S. policy or law. Screen Five is reserved for cases in which a company is actively working against a national interest that has been unambiguously claimed by the U.S. Government. Presidential Policy Directive 20 has stated that matters of “vital interest” to the United States include national security, public safety, national economic security, the availability of key resources, and the safe and reliable functioning of critical infrastructure. Presidential Policy Directive 21 recognizes sixteen “critical infrastructure” sectors whose assets, systems, and networks, whether physical or virtual, are considered so vital to the United States that their incapacitation or destruction would have a debilitating effect on national security, national economic security, national public health or safety, or any combination thereof. The critical infrastructure sectors include chemical; commercial facilities; communications; critical manufacturing; dams; defense industrial base; emergency services; energy; financial services; food and agriculture; government facilities; healthcare and public health; information technology; nuclear reactors, materials, and waste; transportation; and water and wastewater. The U.S. Government has also claimed a national interest in preventing the United States and its allies from becoming vulnerable to economic coercion by China or Russia.

Screen 5 – U.S. Interests	Rule
Screen 5a: Vital interest	Excluded if company or affiliate engages in activities that threaten a vital interest, as determined by the U.S. Government.
Screen 5b: Critical infrastructure	Excluded if company or affiliate engages in activities that threaten a critical infrastructure sector, as determined by the U.S. Government.
Screen 5c: Economic coercion	Excluded if company or affiliate engages in activities that threaten to make the United States or its allies vulnerable to economic coercion, as determined by the U.S. Government.

Screen Six: Cybersecurity

Screen Six excludes companies that are an active cybersecurity threat to the U.S. or its allies. The National Institute of Standards and Technology of the Department of Commerce defines a cyber threat as any circumstance or event with the potential to adversely impact organizations, individuals, or the nation through an information system via unauthorized access, destruction, disclosure, modification of information, or denial of service. Significant activities undermining cybersecurity also include efforts to exfiltrate, degrade, corrupt, destroy, or release information from a technology system or network without authorization for purposes of conducting influence operations. The Cybersecurity & Infrastructure Security Agency (CISA) reports that malicious cyber activities attributed to the Chinese government continue to target a variety of industries and organizations in the United States, including healthcare, financial services, defense industrial base, energy, government facilities, chemical, critical manufacturing (including automotive and aerospace), communications, information technology (including managed service providers), international trade, education, video gaming, faith-based organizations, and law firms. CISA also reports that the Russian government engages in malicious cyber activities to enable broad-scope cyber espionage, to suppress certain social and political activity, to steal intellectual property, and to harm regional and international adversaries.

Screen 6 – Cybersecurity	Rule
Screen 6a: Cybersecurity threat	Excluded if company or affiliate is a cybersecurity threat to the U.S. or its allies, as determined by the U.S. Government or an allied government, or public entity with responsibility for cybersecurity.
Screen 6b: Cybersecurity criminal	Excluded if company or affiliate has committed a cybersecurity crime against the U.S. or its allies, as determined by the U.S. Government or an allied government, a state municipality, a U.S. court of law, a domestic or international law enforcement entity, or public entity with responsibility for enforcing, adjudicating, or reporting cybersecurity acts.

Screen Seven: Espionage

Screen Seven excludes companies that are an active espionage threat to the U.S. or its allies. Espionage is the practice of secretly obtaining information about a foreign government or a competing company with the purpose of placing another government or company at a strategic or financial advantage. Espionage can be distinguished from the broader category of intelligence gathering by its aggressive nature and its illegality. U.S. law prohibits espionage when it is used to the injury of the national defense or the advantage of any foreign nation.

Screen 7 – Espionage	Rule
Screen 7a: Espionage threat	Excluded if company or affiliate is an espionage threat to the U.S. or its allies, as determined by the U.S. Government.
Screen 7b: Espionage actor	Excluded if company or affiliate has committed an act of espionage against the U.S. or its allies, as determined by the U.S. Government or an allied government, a state municipality, a U.S. court of

	law, a domestic or international law enforcement entity, or other public entity with responsibility for enforcing, adjudicating, or reporting on espionage acts.
--	--

Screen Eight: Human Rights

Screen Eight excludes human rights violators. The U.S. Government categorizes subsections of human rights violations, including but not limited to genocide, torture, unlawful detention, and forced labor. Forced labor occurs when individuals are compelled against their will to provide work or service through force, fraud, or coercion. The U.S. Government periodically sanctions companies for acting contrary to its foreign policy interest of protecting human rights worldwide. The Uyghur Forced Labor Prevention Act (UFLPA) establishes a rebuttable presumption that the importation of any goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part in the Xinjiang Uyghur Autonomous Region (XUAR) of China, or produced by certain entities, is prohibited and barred from entry to the United States. The presumption applies unless the Commissioner of U.S. Customs and Border Protection (CBP) determines that the importer of record has complied with specified conditions and, by clear and convincing evidence, that the goods, wares, articles, or merchandise were not produced using forced labor. CBP issues a Withhold Release Order (WRO) when the agency has conclusive evidence of the use of forced labor in the manufacturing or production of goods entering the U.S. The U.S. Department of Homeland Security, as the Chair of the Forced Labor Enforcement Task Force, publishes the UFLPA Entity List, a consolidated register comprised of: (1) a list of entities in Xinjiang that mine, produce, or manufacture wholly or in part any goods, wares, articles, and merchandise with forced labor; (2) a list of entities working with the government of Xinjiang to recruit, transport, transfer, harbor, or receive forced labor or Uyghurs, Kazakhs, Kyrgyz, or members of other persecuted groups out of Xinjiang; (3) a list of entities that exported products made by entities in lists 1 and 2 from China into the United States; and (4) a list of facilities and entities, including the Xinjiang Production and Construction Corps, that source material from Xinjiang or from persons working with the government of Xinjiang or the Xinjiang Production and Construction Corps for purposes of the “poverty alleviation” program or the “pairing-assistance” program or any other government-labor scheme that uses forced labor. In addition to U.S. Government activities, multilateral organizations, such as the United Nations (UN) and European Union (EU), and non-government organizations (NGO) monitor and report on human rights violations.

Screen 8 – Human Rights	Rule
Screen 8a: Human rights violator	Excluded if company or affiliate is identified by the U.S. Government, or verifiable UN, EU, or NGO reporting, as directly or indirectly participating in human rights violations in a country of concern.
Screen 8b: Withhold Release Order	Excluded if company or affiliate is subject to a WRO by U.S. Customs and Border Protection.
Screen 8c: Forced labor offender	Excluded if company or affiliate is on the UFLPA list of entities in Xinjiang that mine, produce, or manufacture wholly or in part any goods, wares, articles, and merchandise with forced labor.

Screen 8d: Violation enabler	Excluded if company or affiliate is on the UFLPA list of entities working with the government of Xinjiang to recruit, transport, transfer, harbor, or receive forced labor or Uyghurs, Kazakhs, Kyrgyz, or members of other persecuted groups out of Xinjiang.
------------------------------	--

Screen Nine: Disputed Areas

Screen Nine excludes companies that operate in disputed areas of the South China Sea (SCS) or East China Sea (ECS). China is a party to multiple maritime territorial disputes in the SCS and ECS. These areas include the Paracel Islands, the Spratly Islands, and the Scarborough Shoal of the SCS, as well as the Japanese-administered Senkaku Islands in the ECS. In the SCS, the U.S. Department of Defense and Armed Forces report that China is building military outposts on reclaimed islands and reefs that could be used against the United States or its allies in the event of a conflict. The U.S. Government has sanctioned Chinese companies for helping to island-build and militarize disputed areas of the SCS. In the East China Sea, energy companies controlled by the Chinese government have operated in areas that challenge the territorial and maritime claims of Japan, South Korea, and Taiwan. The United States rejects most of China’s SCS and ECS claims as unlawful. The United States claims no territories in the SCS and ECS and takes no position on the sovereignty of these disputed areas, but it urges that all related disputes be settled lawfully and without coercion. China claims that the United Nations Convention on the Law of the Sea (UNCLOS) gives coastal states the right to regulate foreign military activities in their exclusive economic zones (EEZ) beyond 12-nautical-miles, in international waters. The U.S. Government says a coastal state under UNCLOS has the right to regulate economic – but not foreign military – activities within its 200-nautical mile EEZ. Claiming a vital national interest in preserving freedom of the seas, the U.S. maintains that it will continue to operate militarily wherever international law allows.

Screen 9 – Disputed Areas	Rule
Screen 9a: Military outposts	Excluded if company or affiliate enables or engages in the construction, maintenance, or supply of military, coast guard, or paramilitary facilities in the disputed areas of the SCS or ECS.
Screen 9b: Island building	Excluded if company or affiliate enables or engages in island-building operations or other reclamation efforts in disputed areas of the SCS or ECS.
Screen 9c: Commercial exploitation	Excluded if company or affiliate enables or engages in hydrocarbon or fishing activity, or unilateral exploitation of those maritime resources, in disputed areas of the SCS or ECS.
Screen 9d: Senkaku Islands	Excluded if company or affiliate enables or engages in activities that challenge or harm the Government of Japan’s administration of the Senkaku Islands.
Screen 9e: EEZ claims	Excluded if company or affiliate enables or engages in activities in China’s EEZ that challenge or harm U.S. freedom of navigation.

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.