

FUTURE OF DEFENCE INDEX FACT SHEET

as of 9/30/23



An index designed to provide defence exposure by investing in global companies generating revenues from NATO and non-NATO ally defence and cyber defence spending.

The Case for Future of Defence

The defence sector has been responsible for many ground-breaking technological advances, from the internet and computers to drones and GPS. Western nations have invested heavily in R&D in order to modernize their defence capabilities.

1. NATO Defence Budget Accelerated by Recent Events – Allied nations agreed upon NATO's civil and military budgets for 2023 at a meeting of the North Atlantic Council on 14 December 2022. The civil budget was set at €370.8 million and the military budget was set at €1.96 billion, representing a 27.8% and 25.8% increase, respectively, over 2022 levels.¹

2. Need for Modernized Defence Solutions – Companies exposed to NATO and NATO+ ally spending such as military aircraft, defence equipment, and future of defence applications such as cyber security, stand to benefit from increased spending levels and the need for modernized defence solutions such as unmanned, autonomous jets and combat vehicles and cyber defence solutions.

3. Global Growth Opportunity – The global defence market is expected to grow at a CAGR of 5.6% to an expected size of \$718.12 billion by 2027.² It is likely that these growth rates will accelerate even further to reflect escalated risks associated with the Russia-Ukraine conflict. Similarly, the global cyber security market is projected to grow at a CAGR of 8.9% from 2023 – 2027. The rise of data breaches and increasing sophistication of cyberattacks poses a global security threat, driving increased adoption of cloud-based cybersecurity solutions.³

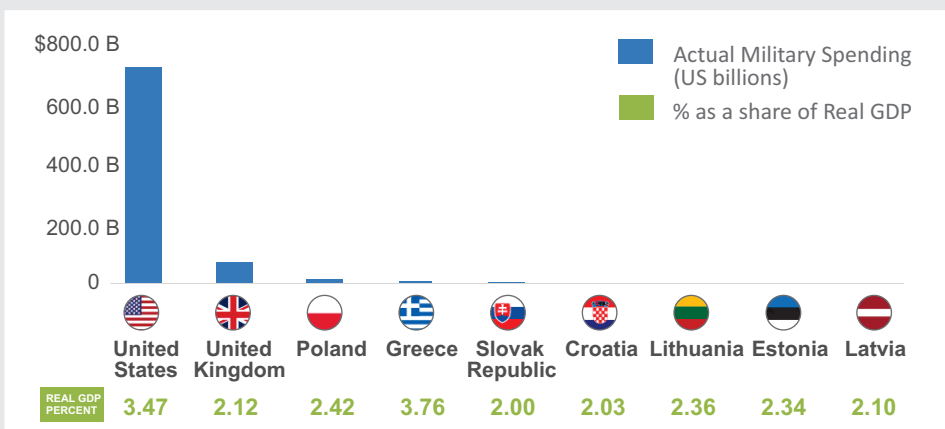
¹ NATO.int, December 14, 2022

² Business Research Company, January 2023, <https://www.thebusinessresearchcompany.com/report/defense-global-market-report>

³ MarketandMarkets, 2022, <https://www.marketsandmarkets.com/Market-Reports/cyber-security-market-505.html>

NATO Defence Expenditures

NATO has called for Allies to meet the 2% of GDP guideline for defence spending. 9 of the current 31 member nations are meeting this goal. Others are expected to do so in the future.



*As of June 27, 2022

Source: NATO



Overview

The EQM FUTURE OF DEFENCE Index (NATONTR) is an index designed to provide defence exposure by investing in global companies generating revenues from NATO and non-NATO ally defence and cyber defence spending. Using a passive, rulesbased approach, companies must derive more than 50% of their revenues from the manufacture and development of military aircraft and/or defence equipment or technology applications, or cyber security contracting with a NATO+ member nation verified by publicly available contract information.

Ticker	NATONTR
Inception Date	1/30/2023
Administration/ Index Calculation/ Publication	BITA GmbH
Total # Holdings	49
# Countries	9
# US Holdings	38
# Non-US Holdings	11
Rebalance (Jan/Apr/Jul/Oct)	Quarterly
Weighting Scheme	Modified, Free-Float Capitalization weighting

Licensing Information

EQM Indexes® LLC licenses its indexes to firms involved in the issuance of Exchange Traded Products (ETPs). If you are interested in licensing an index from EQM Indexes LLC or have an idea for a new index product, contact us at info@eqmindexes.com.

Provided by EQM Indexes
 Not investment advice or a recommendation to buy or sell securities. Investors may not invest directly in an index.

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Top 10 Constituents

For a complete list of holdings, go to eqmindexes.com.

		Index Wt %
1	LEONARDO SPA	5.67
2	CHECK POINT SOFTWARE TECH	5.43
3	BAE SYSTEMS PLC	5.30
4	SAFRAN SA	5.27
5	THALES SA	4.71
6	RHEINMETALL AG	4.63
7	CISCO SYSTEMS INC	4.14
8	NORTHROP GRUMMAN CORP	3.92
9	CROWDSTRIKE HOLDINGS INC - A	3.88
10	PALO ALTO NETWORKS INC	3.72

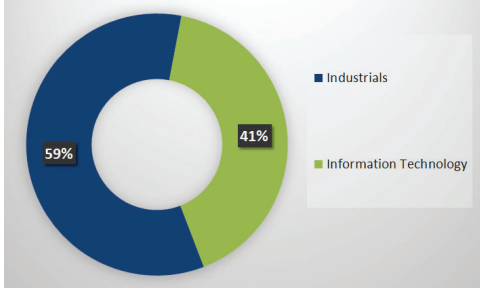
Source: Bloomberg

Inclusion of a security within the Index is not a recommendation by EQM Indexes to buy, sell, or hold such security, nor is it considered to be investment advice. EQM Indexes is not an investment advisor, and makes no representation regarding the advisability of investing in any such security.

Portfolio Weightings

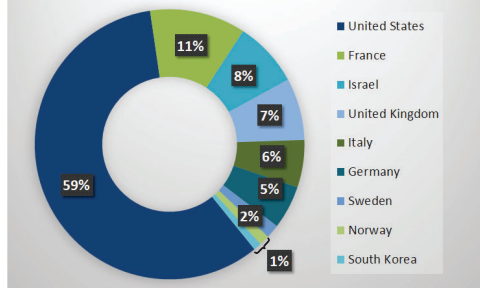
For Illustrative Purposes Only

Sector Weightings



Source: Bloomberg, EQM Indexes

Country Weightings



Source: Bloomberg

About EQM Indexes

EQM Indexes LLC is a VettaFi company dedicated to creating and supporting innovative indexes that track growth industries and emerging investment themes. VettaFi is a provider of indexing, data & analytics, industry leading conferences, and digital distribution services to ETF issuers and fund managers with offices in the US and Canada. VettaFi's index solutions power nearly \$19 billion in ETFs and other vehicles.

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Constituent Requirements

In order to be eligible for inclusion in the index, companies must meet the following conditions:

- The initial Universe is composed of global equities trading on a major global exchange headquartered in NATO+ countries which includes NATO member countries and select major non-NATO allies.
- Constituent business operations must derive more than 50% of their revenues from the manufacture and development of military aircraft and/or defense equipment (military armored vehicles & tanks, weapon systems and missiles, munitions and accessories, electronics & mission systems, and naval ships), defence technology applications, or cyber security contracting with a NATO+ member nation verified by publicly available contract information.
- Constituent business operations in cyber security, contracted with a NATO+ member country.
- Constituents must be at least \$1 billion USD in market capitalization with a minimum free float of 20%.
- Constituents must have an average daily traded value of at least \$1 million USD over the last three months.
- Maximum country weighting is 60% in aggregate.
- Components must comply with United Nation Global Compact (UNGC) principles and Organisation for Economic Cooperation (OECD) Guidelines for Multinational Enterprises as determined by EQM through a review process of publicly available data provided by the company in regulatory filings (such as Annual Reports, 10-Ks, 10-Qs, 20-Fs, 8-Ks), quarterly earnings reports.
- Index constituents are weighted according to their free-float market capitalization with a maximum weighting of 5% per component and minimum position size of 20 bps at time of rebalance.

Contact Information

EQM Indexes, LLC
a VettaFi Company
10620 Treena Street, Suite 230
San Diego, CA 92131

Email: info@eqmindexes.com

Office: +1 858.935.6041

Website: eqmindexes.com

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