



# Index Methodology Guide

Alerian Midstream Energy Select Index (AMEI)

Version 8.1.5

31 July 2020

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## // Company Background

### **Introduction**

The Alerian Midstream Energy Select Index is an investable subset of the broad-based Alerian Midstream Energy Index. The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMEI) and on a total-return basis (AMEIX).

### **About Alerian**

Alerian is an independent information services company serving asset managers and investment professionals around the globe through its indexing, research and data capabilities. Built on a foundation of data rigor and specialty research, Alerian pioneered how the master limited partnership (MLP) asset class is measured and created the first real-time MLP index – the Alerian MLP Index – the most widely used benchmark for midstream MLP energy. Today, Alerian continues to innovate, delivering indexes, tools, thought leadership, and actionable insights that equip stakeholders to make informed decisions.

## // Security Data

### Documents

The following documents are used to calculate shares outstanding and investable weight factors.

- Press releases
- Annual reports pursuant to Sections 13 and 15(d) of the Securities Exchange Act of 1934 (10-K, 20-F)
- Annual reports pursuant to Parts 4, 5, and 6 of National Instrument 51-102 (AIF)
- Quarterly reports pursuant to Sections 13 and 15(d) of the Securities Exchange Act of 1934 (10-Q, 6-K)
- Quarterly reports pursuant to Parts 4 and 5 of National Instrument 51-102 (IFS)
- Certain registration statements pursuant to Rules 415 and 462 of the Securities Act of 1933 (S-1, S-3)
- Prospectuses and prospectus supplements pursuant to Rule 424(b)
- Proxy statements pursuant to Section 14(a) of the Securities Exchange Act of 1934 (DEF 14A)
- Current reports pursuant to Sections 13 and 15(d) of the Securities Exchange Act of 1934 (8-K, 6-K)

Schedules pursuant to the Securities Exchange Act of 1934 (13D, 13G), forms pursuant to Section 16(a) of the Securities Exchange Act of 1934 (4), and certain registration statements pursuant to the Securities Act of 1933 (S-8) are not used in the aforementioned calculations.

### Shares Outstanding

Shares included in the calculation of shares outstanding include, but are not limited to, common shares, subordinated shares, special class shares, and paid-in-kind shares. Shares excluded from the calculation of shares outstanding are general partner (“GP”) shares, management incentive shares, and tradable, non-common shares.

This number generally reflects that which is represented by the latest annual or quarterly report, unless otherwise indicated by a press release, Securities and Exchange Commission (“SEC”) document, or Ontario Securities Commission document filed pursuant to a transaction. The following is a non-exhaustive list of qualifying transactions and the point at which they are reflected in a security’s shares outstanding.<sup>1</sup>

Qualifying Transaction	Reflected in Shares Outstanding
Follow-on public equity offerings	Time of pricing
Over-allotment option exercises	Earlier of time of press release or current report
Private investments in public equity (“PIPEs”) <sup>2</sup>	Time of closing
Share repurchases	Earlier of time of press release or current report
At-the-market (“ATM”) equity offerings	As reported in periodic reports, prospectuses, or proxies

### Investable Weight Factors

A security’s investable weight factor (“IWF”) is calculated as follows.

$$\frac{\text{Shares outstanding} - \text{Non-common shares} - \text{Unregistered common shares} - \text{Insider-owned common shares}}{\text{Shares outstanding}^3}$$

## // Constituent Criteria

### Constituent Criteria

- Have principal executive offices located in the US or Canada
- Earn the majority of its cash flow from qualifying midstream activities involving energy commodities<sup>4</sup>
- Have a median daily trading volume of at least USD 2.5 million for the six-month period preceding the data analysis date<sup>5</sup>

A non-constituent will only be added to the index during the quarterly rebalancing process if it meets all criteria or special rebalancing process if it meets all criteria and is acquiring the constituent that is being removed. A non-constituent that is party to an announced transaction that will lead to a delisting of the security is not eligible to be added to the index. A constituent will remain in the index if it continues to meet the first two criteria and has a median daily trading volume of at least USD 2.0 million for the six-month period preceding the data analysis date. Constituents will only be removed from the index for failing to meet criteria during the quarterly rebalancing process.

These criteria are reviewed regularly to ensure consistency with industry trends.

## // Index Calculations

### Index Equations

The index is calculated by S&P Dow Jones Indices as follows:

- [Initial Divisor] = [Base Date Index Market Capitalization] / 500
- [Index Value] = [Index Market Capitalization] / Divisor
- [Post-Rebalance Divisor] = [Post-Rebalance Index Market Capitalization] / [Pre-Rebalance Index Value]

### Index Rebalancings

Quarterly rebalancings occur on the third Friday of each March, June, September, and December, and are effective at the open of the next trading day. In the event that the major US and Canadian exchanges are closed on the third Friday of March, June, September, or December, the rebalancing will take place after market close on the immediately preceding trading day. Data relating to constituent eligibility, additions, and deletions are analyzed as of 16:00 ET on the last trading day of February, May, August, and November. The index shares of each constituent are then calculated according to the system described below and assigned after market close on the quarterly rebalancing date.

After market close on the Thursday prior to the second Friday of each March, June, September, and December, any non-GP is removed for redundancy if its GP remains among the eligible securities, and the non-GP's float-adjusted market capitalization (AMC) is added to the GP's AMC. The post-rebalancing constituents are assigned a raw index weight and ranked by AMC. The constituents are then assigned to either the Pass-Through or Corporate group based on their tax election. The Pass-Through group is assigned an index weight of 25%.

Each Pass-Through constituent with a raw index weight of at least 5% ("PT5-plus") is assigned an index weight by dividing its AMC by the sum of all Pass-Through constituent AMCs and multiplying by 25%. If the index weight of the largest PT5-plus exceeds 10%, it is assigned an index weight of 10% and its excess weight is proportionately distributed to the remaining PT5-pluses. This process is repeated until none of the remaining PT5-pluses has an index weight that exceeds 10%. If the index weight of any PT5-plus exceeds its raw index weight, it is assigned an index weight equal to its raw index weight and its excess weight is proportionately distributed to the remaining PT5-pluses. This process is repeated until none of the remaining PT5-pluses has an index weight that exceeds its raw index weight. If the index weight of any PT5-plus is less than 5%, it is assigned an index weight of 5%. Each Pass-Through constituent with a raw index weight less than 5% ("PT5-minus") is assigned an index weight by dividing its AMC by the sum of all PT5-minus AMCs and multiplying by the difference of 25% and the sum of all PT5-plus index weights. If the index weight of any PT5-minus is greater than 5%, it is assigned an index weight of 5% and its excess weight is proportionately distributed to the remaining PT5-minuses. This process is repeated until none of the remaining PT5-minuses has an index weight greater than 5%.

Each Corporate constituent with a raw index weight of at least 5% ("C5-plus") is assigned an index weight by dividing its AMC by the sum of all C5-plus AMCs and multiplying by the difference of 50% and the sum of all PT5-plus index weights. If the index weight of the largest C5-plus exceeds 10%, it is assigned an index weight of 10% and its excess weight is proportionately distributed to the remaining C5-pluses. This process is repeated until none of the remaining C5-pluses has an index weight that exceeds 10%. If the index weight of any C5-plus exceeds its raw index weight, it is assigned an index weight equal to its raw index weight and its excess weight is proportionately distributed to the remaining C5-pluses. This process is repeated until none of the remaining C5-pluses has an index weight that exceeds its raw index weight. If the index weight of any C5-plus is less than 5%, it is assigned an index weight of 5%. Each Corporate constituent with a raw index weight less than 5% ("C5-minus") is assigned an index weight by dividing its AMC by the sum of all C5-minus AMCs and multiplying by the difference of 100% and the sum of all PT5-plus, PT5-minus, and C5-plus index weights. If the index weight of any C5-minus is greater than 5%, it is assigned an index weight of 5% and its excess weight is proportionately distributed to the remaining C5-minuses. This process is repeated until none of the remaining C5-minuses has an index weight greater than 5%. Since index shares are assigned based on prices after market close on the Thursday prior to the second Friday of each March, June, September, and December, the weight of each constituent on the quarterly rebalancing date may differ from its target weight due to market movements.

## // Index Calculations

### **Ongoing Maintenance and Handling of Corporate Actions**

In addition to the scheduled quarterly rebalancings, the index is reviewed on an ongoing basis. Changes in index composition and related weight adjustments are necessary whenever there are extraordinary events. Corporate actions will be implemented as practically as possible on a case-by-case basis. Whenever possible, the changes in the index's components will be announced at least two business days prior to their implementation day.

#### Mergers

If two index constituents merge, the surviving stock will assume the combined weight of the original constituents. If an index constituent is taken over by a non-constituent stock, it will be removed from the index and its weight will be redistributed to all the remaining constituents on a proportional basis. Generally, the implementation will take place one trading day after the constituent's merger vote date. If the stock is delisted before market open on the first trading day after the vote, the delisted security will trade at its last traded price.

#### Delistings

If an index component is delisted, it will be removed from the index and its weight will be redistributed to all the remaining constituents on a proportional basis.

### **Treatment of Distributions**

The price-return index does not account for cash dividends and distributions. The total-return index accounts for cash dividends and distributions by reinvesting them across the index after market close on the ex-dividend date.

### **Base Date**

The base date for the index is 31 December 2012, with a base value of 500. Data prior to the live launch was back-tested by rigorously applying then-current index methodology to each historical rebalancing date to select and weight constituents. A back-filled or back-casted methodology can result in the exclusion of acquired, merged, or delisted companies and distort historical performance.

## // Supporting Information

### **Holiday Schedule**

The index is calculated when US and/or Canadian equity markets are open.

### **Announcements**

Constituent changes related to quarterly rebalancings will be announced at 08:30 ET on the second Friday of March, June, September, and December. Constituent changes related to special rebalancings resulting from mergers will be announced at 08:30 ET on the last trading day prior to the last required merger vote. Constituent changes related to special rebalancings resulting from other types of delistings will be handled on a case-by-case basis. Index methodology changes, if any, will be announced after market close on the last trading day of the month. Announcements can be found on [alerman.com](http://alerman.com).

### **Index Committee**

The Alerian Index Series is managed by an Index Committee that reviews all methodology modifications to ensure that they are made objectively and without bias. The committee is composed of full-time professional members of Alerian's staff and board, convenes on a quarterly basis, and is responsible for overseeing the development and applications of the methodology. If the index methodology does not provide a clear process for the management of any situation, the committee will determine the process to be followed. Information regarding methodology modifications and constituent changes is considered to be material and can have an impact on the market. Consequently, all committee discussions are confidential.

### **FX Rate**

Real-time spot Forex rates, as supplied by Reuters, are used for ongoing index calculation of real-time indices. WM/Reuters foreign exchange rates are taken daily at 16:00 ET and used in the end-of-day calculation of the indices.

### **Data Integrity**

Alerian uses various quality assurance tools to monitor and maintain the accuracy of its data. While every reasonable effort is made to ensure data integrity, there is no guarantee against error. Adjustments to incorrect data will be handled on a case-by-case basis depending on the significance of the error and the feasibility of a correction. Incorrect intraday ticks of the index resulting from data errors will not be corrected.

### **Contact Information**

972.957.7700

[index@alerman.com](mailto:index@alerman.com)

## // End Notes

1. The word “reflected” here means for index share calculation and constituent selection purposes only. Changes to shares outstanding and IWFs, as it relates to calculating the index, only occur after market close on rebalancing dates, stock dividends and splits excepted.
2. Unless a lock-up period has been specified, common shares issued in a PIPE transaction are considered to be freely tradable upon the earlier of (a) the effectiveness date of the accompanying SEC registration statement or (b) 180 days after the transaction close, pursuant to SEC Rule 144.
3. For the purposes of this calculation, insider-owned common shares are those which are included in “Security Ownership of Certain Beneficial Owners and Management” of a company’s latest annual report or proxy. This number is frequently expressed as, or is similar to, “All directors and named executive officers as a group”, plus common shares owned by GPs and/or persons or entities with board representation. Though insiders file Forms (4) and Schedules (13) to indicate changes to their ownership position between annual reports and proxies, they are not factored into the calculation. Other documents (such as press releases, 8-Ks, and prospectus supplements) indicating changes to ownership by a GP are factored into the calculation immediately.
4. The following Energy MLP Classification Standard (EMCS(SM)) activities are considered qualifying: Gathering & Processing, Liquefaction, Pipeline Transportation, Rail Terminaling, and Storage. Majority of cash flow is calculated on a trailing-four-quarter basis using a company’s reported business segments. Exceptions may be made on a case-by-case basis to accelerate the eligibility or ineligibility of companies that have been transformed by a recent acquisition.
5. As an example, for the March quarterly rebalancing, this criterion requires that the median of a company’s daily trading volume during the September-February period be at least USD 2.5 million. If the data analysis date for a special rebalancing falls on the last trading day of the month, then that month is the sixth month in the six-month period. Otherwise, the preceding month is the sixth month in the six-month period.

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