QGI Sector Pairs Trading Indices

Index Purpose: The Sector Pairs Trading Indices offered by Quantitative Global Indices ("QGI"), aim to track the dispersion in returns of the largest stocks of any given sector.

Index Construction: Taking the QGI Financials Pairs Trading Index for example, the initial constituent universe is selected by gathering all active U.S. securities that fall within the Financials sector, as defined by the Global Industry Classification Standard (GICS®[1]). Once this initial universe is selected, Exchange-Traded-Funds ("ETFs"), Exchange-Traded-Notes ("ETNs") and Special Purpose Acquisition Corporations ("SPACs") are excluded. From this universe, all constituents with a 10-day average volume of less than 1 million shares traded are also excluded.

The universe is then sorted by market capitalization and the 10 largest stocks are selected as the initial basket. Once the initial basket of 10 stocks is constructed, the basket is split in half, with the 5 largest making up one basket, and the 5 smallest making up a second basket ("largest" refers to stocks ranking 1-5 in the basket of the 10 largest stocks; "smallest" refers to stocks ranking 6-10). The constituents of each basket are then assigned an equal weight (20%).

As the baskets begin to trade, the index tracks the difference between the cumulative returns of both baskets. Ideally, the difference in returns should be close to 0, but occasionally such spread widens, presenting a possible trade opportunity in buying the under-performing basket, and selling-short the over-performing basket.

The spread is quoted in percent, so an index value of 0.75 represents a 0.75% absolute difference. Assuming a mean spread of near 0, this 0.75% can also represent the profit to be made from buying the weaker performing shares and selling short the over-performing shares.

Index Rebalancing: Each trading day, the index will reset and start with a value of 0.00. The universe of each index will reset weekly, using the market capitalization quoted at the end of the last trading day of the prior week.

Index Dissemination: Each respective index will update on an intraday, 1-minute basis. For delayed, free indices, only a graph of the prior days' performance will be displayed. Along with the performance graph, the composition of the respective index will remain public. This will be in the form of a table on the same page as the index graph, consisting of the constituents' ticker symbols, names, and intraday performance (performance from market open onwards, not performance from the prior close, therefore pre-market activity is not considered).

Historical index values and compositions are available through a subscription.

For institutional inquiries, please contact: licensing@qg-indices.com

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[1] Global Industry Classification Standard (GICS®)

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