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WisdomTree Energy Transition Metals and Rare Earths Miners Index



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Index construction

The WisdomTree Energy Transition Metals and Rare Earths Miners Index seeks to track the performance of global listed companies primarily involved in the Energy Transition Metals Value Chain (ETMVC).

1. Define Universe

Wood Mackenzie’s investment universe

200+

covers over 200 companies globally that are closely linked to the entire value chain of the energy transition metals (including rare earth elements) production.

2. Identify and Classify

Companies that belong to the energy transition metals value chain are identified and classified into 11 metal categories and subsequently sub-sectors like:

Metal Categories	Sub-sectors
Aluminium	Chemicals
Cobalt	Conversions
Copper	Industry
Iridium	Mining
Lithium	Refining
Nickel	Smelting
Platinum	
Silver	
Tin	
Zinc	
Rare earth elements (REE)	

3. Apply ESG Screen

Companies are excluded from the universe based on the following ESG criteria:

- Companies are classified as “**non-compliant**” based on the ESG data providers’ Global Standards Screening (GSS)
- Deriving more than **0%** revenue from controversial weapons, or tobacco activities, except companies deriving less than **5%** of their revenue from tobacco distribution
- Deriving more than **5%** of their revenue from thermal coal activities, such as thermal coal extraction, or thermal coal based power generation
- Deriving more than **5%** of their revenue from unconventional oil and gas activities, including oil sands extraction, arctic oil and gas exploration, or shale energy exploration and / or production
- Deriving more than **5%** of their revenue from small arms activities

4. Eligibility Screen

Companies in the universe are then screened for the following eligibility requirements:

Market capitalisation of at least

\$250m

3-month median daily traded volume of at least

\$1m

Listing of shares

on eligible stock exchanges in developed and emerging markets countries

China A-shares

In the case of China A-shares, they need to be eligible for the Hong Kong stock connect program

5. Determine Intensity Rating

Each sub-sector within the value-chain receives a score based on three factors:

Size (10%)

Exposure (50%)

Growth (40%)



Each company's Intensity Rating is assigned based on its revenue exposure to each sub-sector and each sub-sector's respective score.

A composite risk score based on Quality (e.g., Return on Equity (ROE), Return on Assets (ROA)) and Momentum (e.g. 6m & 12m risk adjusted total returns) is then also applied to each company.

6. Stock Selection

Companies that meet the following criteria are selected for inclusion, subject to a minimum of 50 stocks:

Revenue

Companies with 20% or more revenue exposure to Energy Transition Metals Value Chain (ETMVC)

Risk Score

Companies do not fall within the bottom 10% of the universe based on the Composite Risk Score

GHG Ranking

Companies' GHG Intensity rank not falling within the bottom 5% of the universe

Controversy

Companies' controversy rating not categorised as "Severe" or "High", based on the assessment on companies' involvement in incidents with negative ESG implications from third-party ESG data providers

7. Weighting

- + Each metal category has a target weight based on the average of its subsector scores (this reflects the growth and exposure of each metal in the energy transition)
- + For each metal, the target weight is allocated to each company that has revenue exposure to such metal, based on the weighting factor below:
- + For each company, its initial weight is the sum of the weights received from each metal exposure
- + The maximum weight of any stock in the Index is capped at **3.5%**
- + Country exposure is capped at **25%** (except for US, which is capped at **50%**)
- + The index is rebalanced semi-annually in May and November.

Company Metal Revenue

Company total ETMVC Revenue

X

Wood Mackenzie Company Intensity Rating

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