xStocks Healthcare Innovation Index

Index code XTHC | Total Return, USD, base 100 | xStocks Thematic Index Series | Methodology v4.1 - 2 September 2026

1. Index thesis

The defensive growth diversifier of the series. Core exposure to the GLP-1/obesity franchise (Eli Lilly, Novo Nordisk) - one of the largest drug markets ever created - alongside robotic surgery (Intuitive Surgical), large-cap pharma cash flows (JNJ, AbbVie, Merck, Pfizer, AstraZeneca) and biotech innovation (Vertex, Regeneron), with telehealth distribution via Hims & Hers. Low correlation to the tech-heavy rest of the lineup, lowest turnover by design, and the sleeve that lets a thematic allocation survive a risk-off year.

2. Composition (launch portfolio)

Constituent	Ticker	Weight	Tier	Token(s) / venue
Eli Lilly	LLY	15%	Core	LLYon / LLYx
Johnson & Johnson	JNJ	13%	Core	JNJon / JNJx
AbbVie	ABBV	12%	Core	ABBVon / ABBVx
Novo Nordisk	NVO	10%	Core	NVOon (Ondo file)
Intuitive Surgical	ISRG	10%	Core	ISRGon (Ondo file)
Merck	MRK	4%	Satellite	MRKon / MRKx
Thermo Fisher	TMO	4%	Satellite	TMOon / TMOx
Pfizer	PFE	4%	Satellite	PFEon / PFEx / dSPFE
AstraZeneca	AZN	4%	Satellite	AZNon / AZNx
Abbott	ABT	4%	Satellite	ABTon / ABTx
Medtronic	MDT	4%	Satellite	MDTon / MDTx
UnitedHealth	UNH	4%	Satellite	UNHon / UNHx
Hims & Hers	HIMS	4%	Satellite	HIMSon (Ondo file)
Vertex	VRTX	4%	Satellite	VRTXon (Ondo file)
Regeneron	REGN	4%	Satellite	REGNon (Ondo file)

Watchlist / reserves (zero weight): Amgen / Moderna / Danaher / Alnylam / Align / Agilent - V - reserves; Illumina / Dexcom / CRISPR / Stryker / BSX - U - not tokenized

3. Weighting methodology (summary)

5 Core holdings = 60% of the index, ranked 15/13/12/10/10 with a 15% single-name cap; 10 Satellites share 40% equally at each reset. Full reset to target weights only at reconstitution; between reviews, weights float inside drift bands and breaches are corrected to the band edge (not to target).
Rebalancing parameters for this index: Semi-annual reconstitution and band check; Core +/-5% abs, Satellite 25% rel; lowest turnover (P7).

4. Full methodology

1. Universe eligibility

U1 - Instrument type. Token must be a 1:1 backed tokenized share/ETF of a security listed on NYSE, NASDAQ or another Approved Exchange, issued by an Approved Issuer (Backed Assets JE / xStocks, Ondo Finance, Dinari) with published proof-of-reserves or transfer-agent attestation. Pre-IPO names (e.g. SPCX) only where the issuer holds the underlying.

U2 - Venue availability. Available on >=1 Approved Venue. Tier A = CEX order book or issuer primary market with continuous quotes; Tier B = DEX-only liquidity (eligible for Satellite only).

U3 - Size. Underlying float-adjusted market cap >= USD 2bn to enter; exit if < USD 1bn at review (50% buffer, 2 consecutive reviews). *(Buffered thresholds stop borderline churn.)*

U4 - Underlying liquidity. Underlying 3-month median daily traded value >= USD 20m. *(Mint/redeem arbitrage needs a liquid underlying.)*

U5 - Token liquidity. 30-day median token traded value across venues >= USD 100k to enter; exit if < USD 50k for 2 consecutive months, unless issuer same-day mint/redeem is active and unsuspended for 30 days.

U6 - Price integrity. 30-day median |token price / underlying reference - 1| <= 1.0%; no single day > 5% for more than 2 consecutive days.

U7 - Exclusions. Leveraged/inverse ETFs, preferreds and bond ETFs excluded from single-stock themes. ETF-based indices are governed by Annex A. No pending delisting/bankruptcy/near-complete take-private.

2. Theme eligibility

T1 - Thematic purity. Theme Relevance Score (TRS) 0-100 = 60% revenue exposure to the theme taxonomy + 40% classification/keyword fit. Constituent requires TRS >= 50 (Core) / >= 25 (Satellite); recognized primary infrastructure providers qualify at TRS >= 50.

T2 - Purity floor. Basket weighted-average TRS >= 50 at each reconstitution, else the theme moves to Incubation.

T3 - Structure. Target structure 5 Core (60%, max 15% each) + Satellites (40%). Equity themes target 15 constituents (min 8, max 20); Compute Infra currently 12. Satellite weights: equal-weight at reset within the 40% block.

3. Reconstitution (entries & exits)

RC1 - Frequency. Per theme - see Section 5: fast themes (Compute Infra, Digital Finance) quarterly; standard themes semi-annual (Jun & Dec, effective 3rd Friday); Hard Assets sleeve review semi-annual. Selection Date = last business day of the prior month; pro-forma announced >= 5 business days ahead.

RC2 - Fast-entry (new tokens / IPOs). A newly tokenized listing may enter at the NEXT quarter-end (any theme) if it ranks top-5 in-theme by Selection Score and passes all U/T screens - without waiting for scheduled reconstitution. The lowest-ranked Satellite exits to keep the count. *(Captures CRCL/FIG-type events.)*

RC3 - Exit triggers (scheduled). Removed at reconstitution if: rank falls below count+3 buffer; U-screen failure under the buffered thresholds (U3/U5); TRS < 25 or fundamental business shift out of theme.

RC4 - Exit triggers (fast-track, any time). Removed with 2 business days' notice if: token delisted from all Approved Venues; issuer suspends mint/redeem > 5 business days; underlying delisted, acquired (completion) or bankrupt; U6 breach > 5% for 5 consecutive days. Weight redistributed pro-rata to remaining constituents until the next review; replacement = next highest-ranking eligible name at that review.

RC5 - Core promotion / demotion. Satellite -> Core only if top-3 by Selection Score for 2 consecutive reviews (replaces the weakest Core). Core -> Satellite if rank < 8. Prevents boundary flip-flop.

4. Weight rebalancing (band-based)

RB1 - Principle. Weights are NOT reset on the calendar. Bands are monitored on the theme's check frequency (Section 5); a trade occurs only on a band breach, and breaching names are reset to the BAND EDGE, not to target. Full reset to target weights happens only at reconstitution. *(Band-edge resets roughly halve turnover vs full resets and avoid selling trending winners early.)*

RB2 - Bands. Core: +/-5% absolute (15% target trades at 10%/20%). Satellite: relative band per theme (Section 5), calibrated ~2x the name's monthly volatility - high-vol themes get wider bands. *(A one-size 25% relative band would fire monthly on 5-8% daily-vol names.)*

RB3 - Minimum-trade filter. Ignore breaches whose correction is < 0.25% of index weight. Tokenized-stock spreads run 10-50bps - wider than the underlying - so micro-trades destroy value despite instant settlement.

RB4 - Circuit breaker. No band-triggered trading in a name on any day it moves > 20%, is halted on the primary exchange, or has mint/redeem suspended. Trades execute during US cash hours (reference-price window), when token quotes track NAV tightest. *(Never rebalance into a dislocation.)*

RB5 - Fully invested / no cash. The index holds no cash or stablecoin: it is a fully-invested paper portfolio calculated with a divisor. Any USDC operating buffer (suggested 1-2%) lives at the PRODUCT (vault/xETF) level and is reported as tracking difference, not inside the index. *(A 2-5% in-index stablecoin sleeve = 40-100bps/yr drag and an unhedgeable benchmark.)*

RB6 - Turnover budget. Soft cap: one-way turnover <= 20% per quarter per theme (ex fast-track events). If band trading would exceed it, only the largest breaches are corrected, in size order.

5. Per-theme parameters

P7 - Healthcare Innovation. Reconstitution: semi-annual. Band check: semi-annual. Core 5% abs; Satellite 25% relative. Lowest-turnover theme by design.

7. Calculation & governance

G1 - Calculation. Laspeyres chain-linked, divisor-based, base 100. Total Return on the underlying's 4pm ET reference price (tokens auto-reinvest dividends); indicative 24/7 on-chain variant published separately. Corporate actions: splits share-adjusted; special dividends via divisor; spin-offs retained if eligible else removed at first close.

G2 - Committee. Index Committee: scheduled meetings before each Selection Date, ad-hoc for RC4. Publishes methodology, taxonomy, change log and pro-forma files. Data: issuer attestations, venue APIs, exchange reference prices, filings.

5. Backtest protocol

The historical simulation uses the exchange price history of each constituent's UNDERLYING security (tokens track 1:1; Ondo and xStocks tokens auto-reinvest dividends, so adjusted-close total-return series are the correct reference). Method: daily total-return series per constituent; weights reset to target after the close of the 3rd Friday of Mar/Jun/Sep/Dec; constituents enter the simulation when listed, with weights renormalised among available names at each rebalance; benchmark SPY. All constituents have full histories; longest clean backtest of the series. Backtest figures are produced by the accompanying script (xstocks_toolkit/backtest.py) directly into this index's workbook (Backtest_Levels / Backtest_Stats sheets and chart); no performance figures are printed in this document so that published numbers always come from the reproducible run.