INDEX GUIDE

Universal Standard Diamonds Evaluation 100 Index

VERSION 1.4 | 01.2023

Contents

1   Introduction

In accordance with Art. 13 No. 1 (a) of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 (the "Benchmark Regulatio"), this document provides the rules for establishing, calculating and maintaining the Universal Standard Diamonds Evaluation 100 Index ("USDE100").

1.1   Objective of Index

The USDE100 has been designed to capture the global market of cut and polished wholesale diamond industry based on sales volume (measured by amount of diamonds) of the Top 100 traded natural diamonds, from most to least.
Sales volume has been derived from an extensive data analysis using multiple data sources, whose output represents the distribution of polished diamonds by their volume.
The Index is composed exclusively of lab graded diamonds. This means that the diamonds' attributes have been determined objectively by an internationally recognized gemological institution (Lab), specifically the Gemological Institute of America (GIA). The GIA is the largest and most respected nonprofit source of Gemological knowledge in the world.
Index pricing is used as a proprietary model, consensually monitoring selected worldwide leading diamond Suppliers ("Approved Diamond Dealers", or "ADD"). In order for a diamond dealer to offer to sell diamonds as an Approved Diamond Dealer by means of an official trading platform or marketplace, a KYC self-regulated process would be required of the diamond dealer by providing certification documents and certificates, including:

- An active member of a diamonds exchange.
- Standard KYC documentation.
- Kimberly compliance.
- Complete GIA certification.

The USDE index will strive to consist of and rely on multiple sources.

1.2   About Diamond Data Derivatives Ltd.

Diamond Data Derivatives Ltd. (the "Index Owner") is a fintech company which acquires, analyses, and seeks to commercialize financial data and price trends relating to the wholesale diamond industry. Having originally developed and conceived of the USDE100 Index, the company seeks to promote and support the commoditization of diamonds, by development of financial instruments based on creative and proprietary solutions and methodology, utilizing large-scale reliable and verifiable data.

1.3   About MarketVector Indexes GmbH

MarketVector Indexes GmbH (the "Index Administrator") develops, monitors and markets the MVIS® Indexes, a focused selection of pure-play and investable indexes designed to underlie financial products. MVIS® is a registered trademark of Van Eck Associates Corporation and therefore protected globally against unlawful usage. MarketVector Indexes has selected an index calculation agent to calculate the index.

1   INTRODUCTION

1.4   Approval of Index Methodologies

Diamond Data Derivatives Ltd. has established the index and its individual methodology covered in this Index Guide. A detailed written "Procedure for Index Development" describes the steps and approvals required to develop, document and approve an index and its methodology. The intention of the Procedure for Index Development is to ensure that the methodology of an Index meets the requirements of Art. 12 of the Benchmark Regulation and is approved and implemented according to a robust and reliable process.

The methodology for the index covered in this Index Guide has been analysed by the Index Administrator's Index Operations department in order to ensure that it is robust and reliable, has clear rules on use of discretion, allows sustainable validation (based on reasonable back testing) and is traceable and verifiable. Furthermore, the size, liquidity and transparency of the underlying market for the methodology have been tested and particular circumstances for each relevant market have been taken into account.

The index methodology and the related detailed analysis were presented by the Index Operations Department to the Legal and Compliance Department for its approval. Based on the aforementioned approval process and its documentation, the index methodology was presented to the Management Board (Geschäftsführer) of the Index Administrator for final approval.

1.5   Review of this Index Guide

According to Art. 13 No. 1 (b) of the Benchmark Regulation, the Index Administrator reviews this Index Guide on an annual basis and immediately in case of special circumstances that require a review. The review takes place in meetings attended by the Legal and Compliance Department and the Management Board of the Index Administrator. If changes to this Index Guide are considered necessary, the process described in Section 4.4 applies.

2   General Definitions

2.1   Index Dissemination and Identifiers

The index is calculated and disseminated in USD, on a daily basis between 00:00 and 24:00 (ET). Real-time index values are calculated with the latest available prices each 60 seconds. The closing value is calculated at 16:00:00 ET with fixed 16:00 ET exchange rates.

The USDE100 has the following identifiers:

Index Type	ISIN	SEDOL	WKN	Bloomberg	Reuters
Price Return Index	DE000SL0CAB8	BN6HR82	SL0CAB	USDE	.USDE

The index was launched on 19 January 2021 with a base index value of 1537.62 as of 15 August 2011.

The index was set to a value of 1000 points on 31 December 2017. The history was calculated based on the composition at launch date.

2.2   Pricing Source

It is commonly known that no two diamonds are identical. The result is that practically any two diamonds with the exact same attributes may be traded at the same time for different prices. The conclusion is that it is a great challenge for one to refer to a single global price-tag for every diamonds type, and for purposes of the USDE100 Index it is more accurate to refer to a representative average price instead. At the time this methodology is defined there is no one central or global organization that regulates and controls diamond prices around the world. It is an advantage and a disadvantage at the same time as only "Ask" prices are quoted and demand dictates the actual prices. In order to assure high credibility of the information being used for the calculation of the Index, the Index creators have established the following principles:

1. Data obtained for purposes of price analysis and calculation for each constituent (stone types may be grouped as described below) shall be obtained solely from major well known trading platforms and marketplaces.

2. A comprehensive analysis and statistical diagnosis was carried out in order to create an algorithm that assures the price trends extracted from market data are being based on a conservatively regulated process, as detailed below.

Stone types are grouped according to this scheme:

- If the carat weight of a stone is below 1, then the stone's weight will be rounded down to the nearest tenth and grouped with other stones of the same rounded carat weight.

- If the carat weight of a stone is between 1 and 1.2 ($1 \leq$ weight < 1.2), then the stone's weight will be rounded down to 1.

- If the carat weight of a stone is between 1.2 and 1.5 ($1.2 \leq$ weight < 1.5), then the stone's weight will be rounded down to 1.2.

- If the carat weight of a stone is greater or equal than 1.5, then the stone's weight will be rounded down to 1.5.

Actual price extraction process per each constituent
Per each constituent all data is derived from near real time information provided from globally active trade platforms, Quoted Ask prices being presented by approved diamonds traders that have gone through KYC

2 GENERAL DEFINITIONS

(see section 1.1) and other Regulatory procedures required from dealers of diamonds around the world.

The database is refreshed and updated every few minutes with the ask-prices of each constituent including all eligible (ca. 700) diamond types in the marketplace at a given time.

In order to assure that the price allocated represents the genuine price trend at a given moment, the Index calculation utilizes protective measures and conducts a series of verifications, calculations, and integrity checks, in order to filter any incomplete or noncomplying data, as well as neutralize unrepresentative irregularities caused by temporary deviations in price quote volumes and value, as well as technical errors of any nature.

For purposes of fraud prevention and to assure authenticity of all the information provided by the trading platforms, the Index developers have created gate keepers algorithm that obtain, process, and store such certification information that can trace every single diamond and dealer for every quote taken into account, in order to prevent probability of manipulation and wrong doing.

The calculating agent makes use of an algorithm that is the result of a comprehensive study carried out by the Index developers and which has been tested since the Index was calculated beginning in 2011. Such study indicated that by referring only to the lowest 20% (while neutralizing the lowest percentile) of asking prices per given types of diamonds statistically, such trends have shown extremely high correlation with actual transaction prices. By referring to the lowest 20% ask prices (without the bottom percentile), the statistical variance in prices is minimal, and the constituent diamonds traded in such ranges, are commonly characterized by a very short average shelf life, representing about 24 inventory cycles annually. Above all the prices resulting from this calculation have proven to be 99% correlated to actual transaction prices in a given stone type.

All of the 100 index constituents' lowest percentile prices are then used to calculate the value of the Index according to the Index calculation process.

3   Rebalancing & Reconstitution

Pretty much like any other perimeter of the diamonds market, rebalancing methodology requires a unique attitude that would take into consideration the unique nature of this particular market.

The diamond market is characterized by slow changes in nearly every parameter: the number of players and new incoming players, the numbers and the types of new retailers, changes in the preference of the end customers and even the range of diamonds found by miners, all these and others have barely changed.

As re-balancing is all about tracking changes in the weights of diamond types in the USDE100 Index, the index developers have studied historical trends to find the best way to trace changes and reflect them in the Index, by rebalancing due to changes if and when they occur.

These long and rare changes are explained mainly by the shifting nature of fashion and consumer taste when it comes to diamonds which is relatively very conservative and quite similar around the world, and the actual available diamonds that are mined every year in the limited number of mines around the world. The availability of each diamond type depends first and foremost on the availability of this natural resource under the ground - therefore there may be times when a specific type of diamond is in very high demand but is not available due to the scarcity of such particular type at the available mines.

As we are speaking of a natural resource which is not in the hands of the market manufactures, while supply strives to adjust according to the demand, shifts in availability may occur as diamonds continue to be excavated from the earth.

Multi-decade analysis reflects minor changes along years of trade in terms of the demand for types of diamonds, portraying long cycles of change that are measured in years-terms in the tendency, of the least popular types of diamonds among "the most traded diamonds" to leave and return back to the list of the top 100 most traded diamonds.

This unique nature of the diamond market lead the index developers to the conclusion that rebalancing of the Index must refer to periods much longer than one year since it is following trends per its Index constituents rather than a snapshot of a particular date in time, and in order to accurately reflect the actual average weight of the top 100 most traded diamonds.

The Index constituents in the USDE100 are a composition of 100 specific diamond types which represent the most highly traded polished diamonds in the global diamond market (in quantity terms). Each constituent of the USDE100 represented in the Index is established according to its relative rating scored in relation to the volume amounts of diamonds offered for sale.

The determination of the Index constituents and their proportions are the result of an extensive analysis of all new and up to date diamonds offered for sale in the diamond industry marketplace. The constituents of the Index represents the price movements of approximately 80+ percent of the global polished diamond market.

3.1   Frequency

Mandatory

The mandatory rebalancing process every 12 months (starting with index launch):

The review for this Index is based on the closing data on the last day in January of the year the index is reviewed ("Cutoff date"). If a category (stone type) does not trade on this last day, the last available price for this category will be used.

The underlying index data is announced on the second Friday of the following February. If the second Friday is not a business day, the announcement will take place on the last business day before the second

3 REBALANCING & RECONSTITUTION

Friday. A "business day" means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in Frankfurt.

Changes will be implemented and based on the closing prices of the last day of the following May. They become effective on the next day.

The Index rebalancing will result in the adjustment of the divisor. Index rebalancing should not change the level of the Index from the prior day.

Ad-hoc

If a specific diamond type (constituent) significantly decreases in its sales volume to a degree it is hard to source for trade it'll be replaced by a new constituent diamond category. The new constituent will be added to the USDE100 and the diamond categories being removed from the Index will be deleted.

3.2 Index Universe

Types

Only natural diamonds are eligible for the index. A diamond type is defined among others, by the following attributes:

- Shape - diamonds can be cut to different shapes such as round, cushion, pear etc. All of the USDE100 constituents are round diamonds as this is the most common diamond shape, representing the vast majority of all new polished diamonds traded annually.

- Carat weight - A diamond size is defined by its carat weight. Diamond sizes are divided into weight groups. All of the USDE100 constituent diamonds are between 0.3-1.69 carat. As diamonds less than 0.3 carat are rarely subjects to certification and diamonds above 1.69 carat price are more often subject to individual negotiation.

- Color - there are 16 different color types available in the diamonds market. Demand, availability, and price vary significantly depending on the color. The USDE100 limits itself solely to colors with low variance of market prices. Diamonds colors range from D (the whitest) to Z. All USDE100 constituents consist of diamond type color in the range between D to M only.

- Clarity - there are 16 different clarity types available in the diamond market. Demand and price are significantly diverse according to the clarity. All USDE100 constituent diamond type clarity range between IF (internally flawless) to SI2 (slightly included, 2nd degree) only.

- Cut - There are 6 different cut types available in the diamond market, from Excellent to Poor. Demand and price are significantly diverse according to the cut. All USDE100 constituent diamonds cut type are Ex only.

- Polish - There are 6 different polish types available in the diamond market, from Excellent to Poor. Demand and price are significantly diverse according to the polish. All USDE100 constituent diamonds polish type are Ex only.

- Symmetry - Diamond symmetry range is Excellent to Poor. All USDE100 constituent diamonds Symmetry type are Ex only.

- Fluorescence - Diamond fluorescence range is from "None" to "Very strong". Only "None" Fluorescence diamonds are included on as USDE100 constituents.

Certification

Most traded diamonds weighing over 0.3 carat are usually certified by one or more internationally recognized rating lab. There are more than 10 global players offering certification services, of which GIA

is regarded as a global leader. In order to assure a standard measurement methodology the USDE100 incorporates and uses only GIA certified diamonds (which represent a high percentage of all certified s stocks globally, utilizing a relatively high standard of stringency of measurement).

By consisting solely of GIA certified diamonds, the USDE100 Index assures that it only refers to diamonds and diamonds dealers that comply with all regulatory requirements including adequate KYC, MAL and others.

3.3   Index Selection

At each annual review, all diamond categories in the index universe are ranked by their 12-month sales volume measures in number of stones traded (considering asks taken off the list). In case two stone types have the same sales volume, the stone type with a higher rank in the previous year gets the higher rank. Initially (2017), the top 100 categories by sales volume qualified for index inclusion.

1. The top 60 stone types/groups qualify for selection.

2. The remaining 40 components are selected from the highest ranked remaining index components ranked between 61 and 140.

3. If the number of selected components is still below 100, then the highest ranked stone types/groups are selected until the number of components equals 100.

3.4   Weighting Methodology

Each of the USDE100 constituents' representation in the initial Index constituents are established according to its actual average annual sales volume (based on market research) and is assigned with its *Constituent % of Top100 quantity* as described below for each constituent i.

$$CV(\$)_i = (\% \ of \ Top100)_i * (average \ weight)i * price_i$$

The *Constituent % of Top100 quantity* is then multiplied by its *Average Weight* in carat and of that particular type then multiplied by its *Average Dollar Price* per carat of that type to get its *Constituent's Value* using the relevant data as of the review cutoff date. For the ease of calculation Constituent % of Top100 quantity multiplied by its Average Weight in carat are being defined as a multiplier to allow constant calculation of index points, referred herein as *The Constituent's Value*.

On the review date, a divisor is calculated as the accumulation of all values of diamonds at the initiation of the Index and calculated at the formula below for each constituent i.

$$Divisor = \sum_{i=1}^{100} CV_i$$

The Constituent's Value is then divided by the Divisor (the sum of all of the constituents' values) and multiplied by the index value on the review cutoff date (1000 at the index inception) to get to the *Adjusted Constituent Value*.

$$ACV_i = \frac{CV_i * IV_{cutoff}}{Divisor}$$

where ACV_i = Adjusted Constituent Value.

The sum of all of the *Adjusted Constituent Value* is the index value as of the review cutoff date.

$$IV_{cutoff} = \sum_{i=1}^{100} ACV_i.$$

The adjusted constituent value, together *Average Dollar Price* per carat of the type as of the review cutoff date is used to calculate *Constituent Price Multiplier*.

$$CPM_i = \frac{ACV_i}{price_i}$$

where CPM_i = Constituent Price Multiplier.

The Constituent Price Multiplier is used to calculate the daily index value and index constituent weight. The index constituent weight on a given day after the review implementation is calculated as follows:

$$CW_{it} = \frac{CPM_i * price_{it}}{\sum_{i=1}^{100} CPM_i * price_{it}}$$

where CW_{it} = Constituent Weight on Day *t*.

For daily index value calculation please refer to Section 5.

4   Ongoing Maintenance

4.1   Changes to Pricing

In case an exchange is added or removed to/from the index calcualtion, the index divisor will not be adjusted.

4.2   Index Corrections

- Index corrections distinguish between calculation errors and incorrect input data.
- Calculation errors detected within a trading day are corrected immediately. Intraday tick data are not corrected retrospectively.
- Calculation errors that are older or based on erroneous input data are corrected if technically possible and economically viable. If significant differences exist, index values can also be corrected retrospectively.

4.3   Review of Index Concept

Due to a very dynamic market of digital assets and tokens the index methodology, parameters and thresholds will be reviewed at least once a year. Market participants feedback will be considered in the process whether or not to make amendments to the methodology and the data sourcing process. Any changes will be communicated by Diamond Data Derivatives Ltd. and MarketVector Indexes with a 30-day lead time to enable customers to adjust their processes.

4.4   Changes to the Index Guide

Any changes to the Index Guide will be reviewed and approved by the Index Owner and MarketVector Indexes' Legal and Compliance Department. Legal and Compliance may also request a conclusive description and further information on any change and may consult the operations department on such changes. The key elements to be analysed in this phase of the change process are robustness, transparency, reliability and integrity. The result of the review will be communicated to the operations department. The email will be archived by the operations department.

In case of changes that might immediately change the composition of an index or must be considered material for any other reason also need to be approved by the Legal and Compliance Department Function prior to their publication and implementation.

In case of material changes an advance notice will be published and provided to users. MarketVector Indexes will generally disseminate a notification related to an Index Guide change 30 days prior to the change. A shorter period of time may be applied at MarketVector Indexes' discretion if the relevant index has not been licensed for a financial product to a third party. The notice will describe a clear time frame that gives the opportunity to analyse and comment upon the impact of such proposed material change. Any material comments received in relation to the Index Guide change and MarketVector Indexes' response to those comments will be made publicly accessible after any consultation, except where confidentiality has been requested by the originator of the comments.

4.5   Discretion regarding the Use of Input Data

In case input data are or appear to be qualitatively inferior or different sources provide different data, or a situation is not covered by the index rules, MarketVector Indexes may use or change the data at its own discretion according to the following discretion policy after a plausibility check. This may include

- Liquidity and size data,
- Event information,
- Other secondary data.

Any changes to input data that MarketVector Indexes intends to apply because of missing data, different data from different sources or other information concluding the inappropriateness or incorrectness of data must be subject to reasonable discretion. The decision on any change must be required, appropriate, commensurable and in line with the respective index scope and objective and must reasonably consider in a balance weight the interest of users, investors in related products and the integrity of the market.

Index Operations ensures consistency in the use of discretion in its judgement and decision. Employees involved in the operations team must have shown their respective experience and skills. Significant decisions are subject to sign-off by a supervisor. In case of material changes to data the relevant situation will be analysed in detail, described and presented to the Legal and Compliance Department and discussed and reviewed with the Legal and Compliance Department.

The broad range of possible data quality problems does not allow to define specific steps for each possible instance. MarketVector Indexes will always weigh the different interests of the index users, the integrity of the market and other involved parties and determine the least disadvantageous measure that equally considers the relevant interests best.

4   ONGOING MAINTENANCE

In order to avoid individual decisions on the use of data in similar cases for the future an update of the index rules can be taken into consideration if applicable. Other possible mitigation measures are the change of input data sources or providers and/or own data research where possible and reasonable.

Records are kept about material judgement or discretion by MarketVector Indexes and will include the reasoning for said judgement or discretion.

5 Calculation

5.1 Index Formula

The daily index value is calculated using the daily *Average Dollar Price* per carat of each index constituent and *Constituent Price Multiplier* of each index constituent.

$$IS(\$)_{it} = CPM_i * price_{it}$$

where $IS(\$)_i$ = Index Share of Constituent *i* on day *t*.

Index value on day *t* is calculated by the following formula:

$$Index\ Value_t = \frac{\sum_{i=1}^{100} IS(\$)_{it}}{Index\ Divisor}$$

where $Index\ Divisor$ equals to 1 at the index launch, and it is updated at each review implementation.

5.2 Divisor Adjustments

Index maintenance - reflecting changes of stones to the index - should not change the level of the index. This is accomplished with an adjustment to the divisor.

$$Index\ Divisor_{new} = Index\ Divisor_{old} * \frac{IS(\$)_{it} \pm \Delta IS}{IS(\$)_{it}},$$

where ΔIS = Difference between closing and adjusted Index Shares of the index.

5.3 Data Correction and Disruptions

MarketVector Indexes will usually receive information about errors or disruption from calculation agent, Index Owner, client, internal systems (IT) or by monitoring the respective output.

Incorrect or missing input data will be corrected immediately:

- The error is immediately communicated to the calculation agent, if applicable.
- Calculation agent will be asked to investigate the reason for the error.
- An email will be sent to all affected clients to inform them about the error; this includes the reason for the issue and an estimate on when the issue will be solved.
- MarketVector Indexes recalculates missing EOD data points and disseminates to vendors and clients.

In case of a material error,

- Legal and Compliance to check the relevant agreements for liability of the calculation agent.
- If MarketVector Indexes identifies any conduct that may involve manipulation or attempted manipulation of an index by a calculation agent it will report this to the regulator.
- Where possible and economically reasonable MarketVector Indexes will try to use another calculation agent.

5 CALCULATION

Investigations and communication regarding disruptions with calculation agents will be handled by Compliance and Senior Management. They are either caused by disruptions in calculation or dissemination, which might affect different servicers.

- The disruption is immediately communicated to the calculation/dissemination agent, if applicable.

- Calculation/dissemination agent will be asked to investigate the reason for the disruption.

- An email will be sent to all affected clients to inform them about the disruption; this includes the reason for the issue and an estimate on when the issue will be solved.

- MarketVector Indexes prompts calculation agent to make all efforts to restart index calculation.

- MarketVector Indexes prompts dissemination agent to make all efforts to restart index dissemination.

- MarketVector Indexes recalculates missing EOD data points and disseminates to vendors and clients.

- Legal and Compliance to check the relevant agreements for liability of the calculation/dissemination agent.

- If MarketVector Indexes identifies any conduct that may involve manipulation or attempted manipulation of an index by calculation/dissemination agent it will report this to BaFin.

- Where possible and economically reasonable MarketVector Indexes will try use another calculation and/or dissemination agent.

5.4 Input Data and Contributor Selection

According to the input data requirements under Art. 11 of the Benchmark Regulation, the following shall apply with regard to the input data used for the management and provision of an index and the relevant input data providers ("Contributors"):

- the input data shall be sufficient to represent accurately and reliably the market or economic reality that the benchmark is intended to measure;

- the input data shall be transaction data, if available and appropriate. If transaction data is not sufficient or is not appropriate to represent accurately and reliably the market or economic reality that the index is intended to measure, input data which is not transaction data may be used, including estimated prices, quotes and committed quotes, or other values;

- the input data shall be verifiable;

- clear guidelines regarding the types of input data, the priority of use of the different types of input data and the exercise of expert judgement, to ensure compliance with the Index Guide and index methodology and the aforementioned requirements are defined in the Code of Conduct for Contributors; and

- where an index is based on input data from Contributors, MarketVector Indexes will obtain, where appropriate, the input data from a reliable and representative Contributor so as to ensure that the resulting index is reliable and representative of the market or economic reality that the index is intended to measure.

The Contributor is selected by the Index Owner. MarketVector performs annual due diligence on the Contributor in order to ensure quality. MarketVector Indexes will not use input data from a contributor if it has any indication that the Contributor does not adhere to its Code of Conduct for Contributors and in such a case shall obtain representative publicly available data.

6   Appendix

6.1   Changes to the Index Guide

This table contains all changes to the index guide.

Date	IG Version	Change
27 May 2021	1.1	Clarification of review implementation
2 August 2021	1.2	30 days announcement period for Index Guide changes
24 May 2022	1.3	Stones up to 1.69 carat, Clarity between internally flawless and SI2
20 January 2023	1.4	BMR compliance

7   Disclaimer

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