



INDEX METHODOLOGY

KBW NASDAQ FINANCIAL SECTOR DIVIDEND YIELD INDEX METHODOLOGY

KDX

INDEX DESCRIPTION

The KBW Nasdaq Financial Sector Dividend Yield Index is designed to measure the performance of financial companies that are publicly-traded in the U.S with competitive dividend yields. The Index includes companies principally engaged in the business of providing financial services and products. Index-eligible components are selected by the Keefe, Bruyette and Woods (KBW) Index Committee.

SECURITY ELIGIBILITY CRITERIA

Eligible security types

Eligible security types generally include common stocks, limited partnership interests, shares or units of beneficial interest and shares of limited liability companies.

Multiple classes of securities

One security per issuer is permitted. If an issuer has multiple securities, the security with the highest monthly average daily trading volume is considered for possible inclusion into the Index.

Eligible Exchanges

A security must be listed on the CBOE BZX Exchange, The Nasdaq Stock Market® (Nasdaq®), the New York Stock Exchange or NYSE American.

Industry or sector eligibility

The security must be classified as a company that is principally engaged in the business of providing financial services and products as determined by the Index Committee.

Liquidity eligibility

A security must have a one-month average daily traded volume of at least 100,000 shares.

Seasoning eligibility

A security must have been traded for at least three full months on a recognized market.

Float eligibility

At least 20% of a security's total shares outstanding must be publicly available for trading (float shares).

Other eligibility criteria

A security must pay a regular dividend.

A security must have a minimum stock closing price of 5.00 United States Dollars (USD).

A security must have listed options on a recognized options market in the U.S. or be eligible for listed-options trading on a recognized options market in the U.S.

If, at reconstitution, Nasdaq becomes aware that an issuer or security will soon undergo a fundamental change that makes it ineligible, Nasdaq will remove the security from consideration. This includes entering into a definitive merger or acquisition agreement or other pending arrangement that would make it ineligible for Index inclusion, or a filing of bankruptcy or similar protection from creditors.

INDEX CALENDAR

Reconstitution schedule

The KBW Index Committee selects constituents once annually in December. Constituents are also assessed for continued eligibility quarterly in March, June and September along with rebalancing.

Reconstitution reference dates

The criteria for initial eligibility are applied annually using market data through the 15th day of November preceding the calendar quarter month of December (in cases where the 15th of the month is a holiday or weekend, the prior day trading day is used instead). Quarterly assessment for continued eligibility is done using the same reference dates as quarterly Rebalancing.

Reconstitution announcement dates

Index Reconstitutions are generally announced posted five business days prior to the effective date of the changes.

Reconstitution effective dates

Index Reconstitutions are effective at market open on the trading day after the third Friday in December. Quarterly assessment for continued eligibility is done using the same effective dates as quarterly Rebalancing.

Rebalance schedule

The Index is rebalanced quarterly in March, June, September and December.

Rebalance reference dates

The Index Rebalance uses the indicated dividend yield of each security as compared to the dividend yield of all Index Securities as of the end of February, May, August and November.

Rebalance announcement dates

Index Rebalance changes are generally announced five business days prior to the effective date of the changes.

Rebalance effective dates

Index Rebalance changes are effective at market open on the trading day after the third Friday in March, June, September and December.

CONSTITUENT SELECTION

Constituent selection process

Annually in December

Securities that meet the applicable Security Eligibility Criteria are considered by the Index Committee for inclusion in the Index.

The Index Committee also reviews the distribution of eligible securities by financial sub-industry classification (e.g. Mortgage REITs, BDCs, banking institutions, etc.) such that no one particular financial sub-industry classification is overly represented in the Index. It is therefore possible for lower yielding securities from financial sub-industry groups to be included in the Index, not simply the highest yielding eligible financials.

KBW Nasdaq Indexes are maintained by a 5-member Index Committee consisting of four full-time KBW employees and one full-time Nasdaq employee. The objective of the Index Committee is to develop and maintain indexes that seek to replicate certain market, industry, and geographic segments. The Index Committee meets at minimum quarterly and reviews any pending corporate actions impacting current index components as well as evaluates companies being considered for index inclusion and any relevant

market news and events. The Index Committee also reviews the suitability of current index components on a quarterly basis using both quantitative and qualitative measures. The Index Committee reserves the right to alter index methodology and matters pertaining to index maintenance as necessary. All Index Committee discussions and meeting minutes are confidential.

Quarterly in March, June and September

Index Securities are assessed for continued eligibility, using the following criteria, in conjunction with the Index Rebalance.

- Listed on an eligible exchange
- Classified as an eligible industry or sector
- Pay a regular dividend

The Index Committee may also take action to remove or replace a security in the event of extraordinary change in the nature of any component security (e.g. delisting, merger, acquisition, change of principal business, etc.) that will alter the overall market character of the Index. The Index Committee may replace the security with another that would best represent the intended market character of the Index.

CONSTITUENT WEIGHTING

Constituent weighting scheme

The Index is a modified dividend yield weighted index.

Constituent weighting process

The Index employs a modified dividend yield weighted scheme. Index Securities' initial weights are determined by comparing each Security's indicated dividend yield to the dividend yield of all Index Securities.

The initial Index weights are adjusted such that the maximum weight of any Index Security does not exceed 8% and no more than 5 securities are at that cap.

- The excess weight of any capped security is distributed proportionally across the remaining Index Securities.
- Next, any remaining Index Securities in excess of 4% are capped at 4% and the excess weight will be redistributed proportionally across the remaining Index Securities.
- The process is repeated, if necessary, to derive the final weights.

For additional information about index weighting, see **Nasdaq Index Weight Calculations**.

INDEX MAINTENANCE

Deletion policy

If, at any time during the year other than the Index Reconstitution(s), an Index Security no longer meets the Eligibility Criteria, or is otherwise determined to have become ineligible for inclusion in the Index, it is removed from the Index. This includes circumstances where an Index Security is determined to be ineligible for continued inclusion in the Index due to bankruptcy, delisting, or a definitive agreement that would likely result in the security no longer being Index eligible.

Additionally, an Index Security that suspends its dividend payments based on the prior ex-date of the last dividend distributed at each month's end will be removed at market open the next trading day after the third Friday of the following month.

Please refer to **Nasdaq's Corporate Actions and Events Manual – Equities** for detailed handling of the aforementioned event types.

Replacement policy

If, at any time other than an Index Reconstitution, an Index Security is removed from the Index, it may be replaced at the next quarterly Rebalance with the next eligible security based on the Index Committee's determination.

Corporate actions

In the interim periods between scheduled index reconstitution events, individual Index securities may be the subject to a variety of corporate actions and events that require maintenance and adjustments to the Index. Specific treatment of each type of corporate action or event is described in **Nasdaq Corporate Actions and Events Manual – Equities**, which is incorporated herein by reference.

In certain cases, corporate actions and events are handled according to the weighting scheme or other index construction techniques employed. Wherever alternate methods are described, the Index will follow the "Non-Market Cap Corporate Action Method".

ADDITIONAL INFORMATION

Announcements

Nasdaq announces Index-related information via the Nasdaq Global Index Watch (GIW) website at <http://indexes.nasdaqomx.com>.

For more information on the general Index Announcement procedures, please refer to the **Nasdaq Index Methodology Guide**.

Holiday schedules

The Indexes are calculated Monday through Friday, except on days when the Nasdaq US exchange is closed.

Unexpected market closures

For information on Unexpected Market Closures, please refer to the **Nasdaq Index Methodology Guide**.

Calculation types

For information on the Index calculation types as well as the mathematical approach used to calculate the Index(es), please refer to the **Calculation Manual – Equities and Commodities**.

Recalculation and restatement policy

For information on the Recalculation and Restatement Policy, please refer to the **Nasdaq Index Recalculation Policy**.

Data sources

For information on data sources and the classification of dividends and associated tax rates, please refer to the **Nasdaq Index Methodology Guide**.

Contact information

For any questions regarding an Index, please contact the Nasdaq Index Client Services team at indexservices@nasdaq.com.

Index dissemination

Index values and weightings information are available through Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaqomx.com/> as well as the Nasdaq Global Index FlexFile Delivery Service (GIFFD) and Global Index Dissemination Services (GIDS). Similar to the GIDS offerings, Genium Consolidated Feed (GCF) provides real-time Index values and weightings for the Nordic Indexes.

For more detailed information regarding Index Dissemination, see the **Nasdaq Index Methodology Guide**.

Index calculation and dissemination schedule

The Indexes are calculated during the trading day based on the Last Sale Price and are disseminated once per second from 09:30:01 to 17:16:00 ET. The closing value of the indexes may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

Website

For further information, please refer to Nasdaq GIW website at <https://indexes.nasdaqomx.com/>.

FTP and dissemination service

Index values and weightings are available via FTP on the Nasdaq Global Indexes FlexFile Delivery Service (GIFFD). Index values are available via Nasdaq's Global Index Dissemination Services (GIDS).

GOVERNANCE

Index governance

All Nasdaq Indexes follow the same governance structure. For a detailed list of this information, please see the **Nasdaq Index Methodology Guide**.

Nasdaq Index Management Committee

The Nasdaq Index Management Committee approves all new Index Methodologies. This committee is comprised of full-time professional members of Nasdaq. The committee meets regularly, and reviews items including, but not limited to, pending corporate actions that may affect Index constituents, statistics comparing the composition of the indexes to the market, companies that are being considered as candidates for addition to an Index, and any significant market events.

For a detailed overview of the Index Management Committee, please see the **Nasdaq Index Methodology Guide**.

Internal reviews of methodology

For a detailed description on internal reviews of the Methodology, please see the **Nasdaq Index Methodology Guide**.

Communication with stakeholders and consultations

For a detailed description on Consultations and Communications with Stakeholders, please see the **Nasdaq Index Methodology Guide**.

Index cessation

Nasdaq has a documented procedure that is followed for Index Cessation that includes termination/retirement of an Index or Index Family.

For more information, please refer to the **Nasdaq Index Cessation Policy**.

Discretionary adjustment

This Index Methodology was created by Nasdaq to achieve the aforementioned objective of measuring the underlying purpose of each Index governed by this methodology document. Any deviations from this methodology are made in the sole judgment and discretion of Nasdaq so that the Index continues to achieve its objective.

For more information on potential adjustments including Calculation and Pricing Disruptions, Expert Judgment, and Unexpected Reconstitution/Rebalances, please refer to the **Nasdaq Index Methodology Guide**.

GLOSSARY OF TERMS AS USED IN THIS DOCUMENT

For the glossary of key terms, please refer to the **Nasdaq Index Methodology Guide**.

DISCLAIMER

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity, including but not limited to, quantitative inclusion criteria. Nasdaq may also, due to special circumstances, if deemed essential, apply discretionary adjustments to ensure and maintain the high quality of the index construction and calculation. Nasdaq does not guarantee that any Index accurately reflects future market performance.

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