
**NASDAQ SELECT CANADIAN
PREFERRED SHARE INDEX**

NASDAQ OMX[®]

NASDAQ SELECT CANADIAN PREFERRED SHARE INDEX

The index methodology is changing and will be applied after close-of-business on April 30, 2014.

HOW IS IT CHANGING?

- + Annual eligibility criteria.
- + Annual selection criteria.
- + Continuing eligibility criteria.

WHY IS IT CHANGING?

- + Improve performance*
- + Improve yield and volatility (risk) profiles*
- + Improve market representation and diversification
- + Reduce individual issuer risk

*Based on hypothetical backtested results.

NASDAQ SELECT CANADIAN PREFERRED SHARE INDEX

WHAT'S NOT CHANGING?

- + The index name.
- + The index history.
- + The ETF and Fund's underlying index.

You will see the effects of the new index methodology – **the new index constituents** – on May 1, 2014.

ANNUAL ELIGIBILITY CRITERIA

Key Eligibility Criteria

- ▶ Issuer must be incorporated in Canada.

- ▶ Security must be listed on TSE.

- ▶ Security must be classified as a preferred security, excluding securities classified as a split-share security.

- ▶ Security must be “seasoned.”
 - Generally, a security is considered to be seasoned if it has been listed on a market for at least three full months (excluding the first month of initial listing).

- ▶ Security must be rated P-3 or higher by DBRS.

- ▶ Security must actively pay dividends.

ANNUAL SELECTION & WEIGHTING CRITERIA

Key Criteria

KEY SELECTION CRITERIA

- + Select the top 150 securities by three-month average daily dollar trading value.
- + Score the top 150 securities by:
 - (a) dividend yield >> Highest is ranked 1; lowest is ranked 150.
 - (b) 90-day realized volatility >> Lowest is ranked 1; highest is ranked 150.
- + 100 securities with the strongest (lowest) combined score are selected for the index.

KEY WEIGHTING CRITERIA

- + Market capitalization weighted; however...
- + Max 5 issuers at 8% weight cap; remaining issuers are at 4% weight cap.

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- ▶ All additions and deletions are effective after the close of trading on the third Friday in March.

ELIGIBILITY CRITERIA

Continued

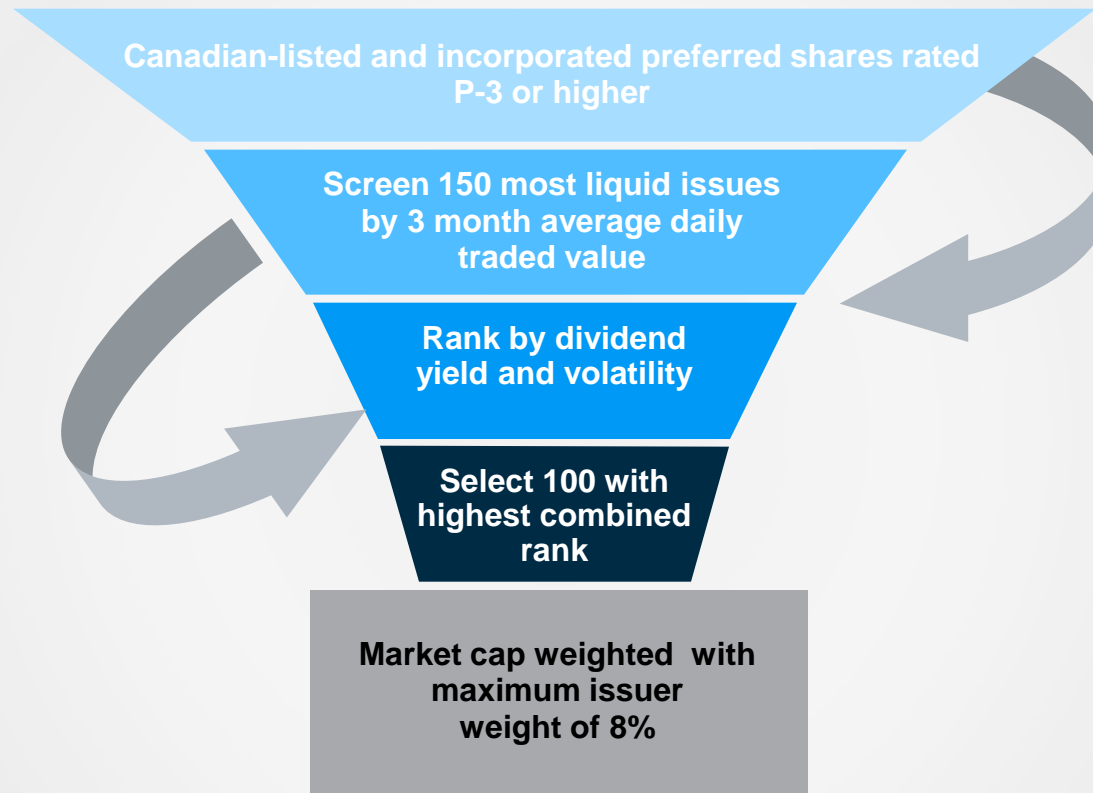
KEY CONTINUING CRITERIA

- + Monthly review (except March):
 - Generally on the first business day of the month using prior month-end data.
- + P-3 or higher from DBRS.
- + Active dividend payer.

IF A SECURITY FAILS ANY OF THE CONTINUING CRITERIA...

- + Security will be replaced with the next eligible security after the close of trading on the third Friday of the month in which the screening was applied.
 - e.g. the security with the 101st strongest (lowest) combined score from the annual review; the security with the 102nd strongest (lowest) combined score from the annual review; and so on.
- + The next eligible security will enter the index at the failed security's exit weight.

SUMMARY



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NASDAQ Select Canadian Preferred Shares Index

*Source: PowerShares

INDEX RETURNS*

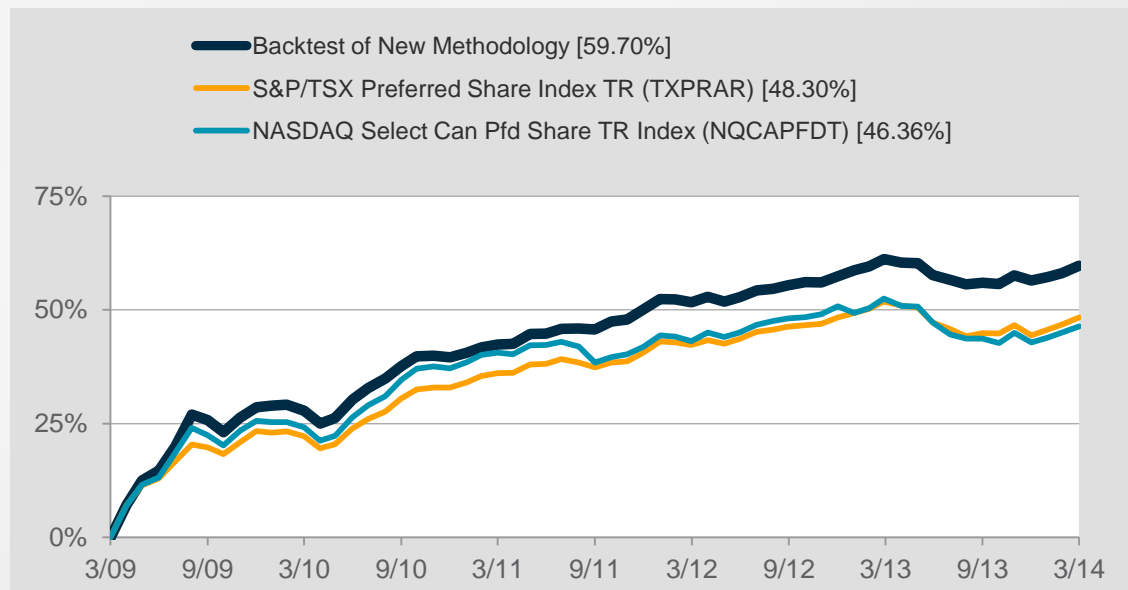
RETURNS

[Returns for periods greater than 12 months are annualized]

PERIOD: JUNE 29, 2007 - MARCH 31, 2014	12 MONTHS	24 MONTHS	36 MONTHS	60 MONTHS	72 MONTHS	81 MONTHS
Backtest of New Methodology	-0.92%	2.62%	3.89%	9.81%	5.74%	4.72%
NASDAQ Select Can Pfd Share TR Index (NQCAPFDT)	-4.01%	1.11%	1.35%	7.92%	3.24%	1.77%
S&P/TSX Preferred Share Index TR (TXPRAR)	-2.33%	2.09%	2.90%	8.20%	4.17%	3.15%

OBSERVATION

The backtest of the new index methodology has significantly outperformed the prior index methodology and S&P/TSX in nearly all time periods.



*Source: NASDAQ OMX Global Indexes Research

INDEX VOLATILITY*

VOLATILITY

[Volatilities are annualized]

PERIOD: JUNE 29, 2007 - MARCH 31, 2014	12 MONTHS	24 MONTHS	36 MONTHS	60 MONTHS	72 MONTHS	81 MONTHS
Backtest of New Methodology	3.27%	2.55%	2.60%	2.96%	6.46%	6.23%
NASDAQ Select Can Pfd Share TR Index (NQCAPFDT)	4.51%	3.50%	3.56%	3.60%	7.64%	7.41%
S&P/TSX Preferred Share Index TR (TXPRAR)	4.00%	3.02%	3.03%	3.13%	6.38%	6.19%

OBSERVATION

The backtest of the new index methodology has significantly lower volatility than the prior index methodology and S&P/TSX in nearly all time periods.

*Source: NASDAQ OMX Global Indexes Research

INDEX CORRELATION*

CORRELATION**

PERIOD: JUNE 29, 2007 - MARCH 31, 2014	12 MONTHS	24 MONTHS	36 MONTHS	60 MONTHS	72 MONTHS	81 MONTHS
Backtest of New Methodology	1.00	1.00	1.00	1.00	1.00	1.00
NASDAQ Select Can Pfd Share TR Index (NQCAPFDT)	0.92	0.88	0.86	0.86	0.96	0.95
S&P/TSX Preferred Share Index TR (TXPRAR)	0.96	0.95	0.94	0.90	0.95	0.95

OBSERVATION

The backtest of the new index methodology is more closely correlated to S&P/TSX than the prior index methodology in nearly all time periods.

* Source: NASDAQ OMX Global Indexes Research

** Backtest of New Methodology is used as the benchmark.

INDEX YIELD*

YIELD

[Returns for periods greater than 12 months are annualized]

PERIOD: JUNE 29, 2007 - MARCH 31, 2014	12 MONTHS	24 MONTHS	36 MONTHS	60 MONTHS	72 MONTHS	81 MONTHS
Backtest of New Methodology	5.25%	5.37%	5.47%	5.81%	5.77%	5.72%
NASDAQ Select Can Pfd Share TR Index (NQCAPFDT)	4.61%	4.75%	4.95%	5.51%	5.45%	5.41%
S&P/TSX Preferred Share Index TR (TXPRAR)	4.71%	4.90%	5.04%	5.50%	5.41%	5.35%

OBSERVATION

The backtest of the new index methodology has a significantly higher yield than the prior index methodology and S&P/TSX in nearly all time periods.

*Source: NASDAQ OMX Global Indexes Research

ADDITIONAL STATISTICS*

	NEW	PRIOR	S&P/TSX
TYPE			
Variable (Rate Resets)	63.07%	91.53%	62.27%
Fixed (Perpetuals)	36.16%	8.47%	34.77%
Floating	0.77%	0.00%	2.95%
DBRS RATING			
P-1	8.02%	5.70%	7.92%
P-2	69.05%	65.81%	68.23%
P-3	22.92%	28.49%	23.85%
INDUSTRY			
Financial	70.49%	64.61%	68.12%
Utilities	12.87%	11.00%	7.80%
Energy	8.22%	14.45%	14.53%
Communications	6.22%	9.94%	7.33%
Consumer, Non-Cyclical	2.20%	0.00%	2.21%

*Source: NASDAQ OMX Global Indexes Research; PowerShares

RESOURCES

INDEX TICKERS, METHODOLOGY, AND OTHER COLLATERAL

- + NASDAQ Select Canadian Preferred Share Index (NQCAPFD)
 - <https://indexes.nasdaqomx.com/Index/Overview/NQCAPFD>
- + NASDAQ Select Canadian Preferred Share Index TR (NQCAPFDT)
 - <https://indexes.nasdaqomx.com/Index/Overview/NQCAPFDT>

PRESS RELEASE

- + <http://globenewswire.com/news-release/2014/03/24/620665/10073581/en/NASDAQ-OMX-Announces-Changes-to-the-NASDAQ-Select-Canadian-Preferred-Share-Index.html>

CHANGE NOTICE

- + https://indexes.nasdaqomx.com/docs/NASDAQ_Select_Canadian_PREFERRED_Share_Index_Notice.pdf

DAVID KREIN

HEAD OF RESEARCH, NASDAQ
OMX GLOBAL INDEXES

david.krein@nasdaqomx.com

+ 1 212 231 5813

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NOTES

SOURCES

- + NASDAQ OMX Global Indexes Research. FactSet. Bloomberg. PowerShares.

DEFINITION

- + “Backtest of New (Index) Methodology” is the theoretical result of applying the new index methodology to the historical dataset. Such results cannot be achieved.

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