

# A CLOSER LOOK

## HOW THE NASDAQ Q-50 INDEX COMPARES TO THE NASDAQ-100 AND THE MARKET

The NASDAQ Q-50 Index® tracks the performance of the 50 securities that are next-eligible for inclusion into the NASDAQ-100 Index®.

INDEXES REFERENCED: NASDAQ Q-50 (TICKER: **NXTQ**) NASDAQ Q-50 TR (TICKER: **NTQX**) NASDAQ-100 (TICKER: **NDX**) NASDAQ-100 TR (TICKER: **XNDX**) NASDAQ US MID CAP TR (TICKER: **NQUSMT**) NASDAQ US LARGE CAP TR (TICKER: **NQUSLT**)

The NASDAQ Q-50 is a market capitalization weighted index offering exposure across all major industry groups, with the exception of financials. Since 2007, more than 50 securities in the NASDAQ Q-50 Index have moved up to the NASDAQ-100 Index.

Chart 1 illustrates the performance of the NASDAQ Q-50 TR Index and certain benchmarks over the five years ending 7/31/2013. The NASDAQ Q-50 TR Index outperforms the NASDAQ-100 TR Index over the trailing three-year (26.81% to 19.69%) and five-year (15.10% to 11.87%) periods. Most notably, in the last 12 months the NASDAQ Q-50 TR Index increased 46.22% versus 18.70% for the NASDAQ-100 TR Index. The NASDAQ U.S. Mid Cap TR Index and NASDAQ U.S. Large Cap TR Index, which give a broader insight into the market’s size segments, also trail the NASDAQ Q-50 TR Index in terms of overall performance.

CHART 1. PERFORMANCE

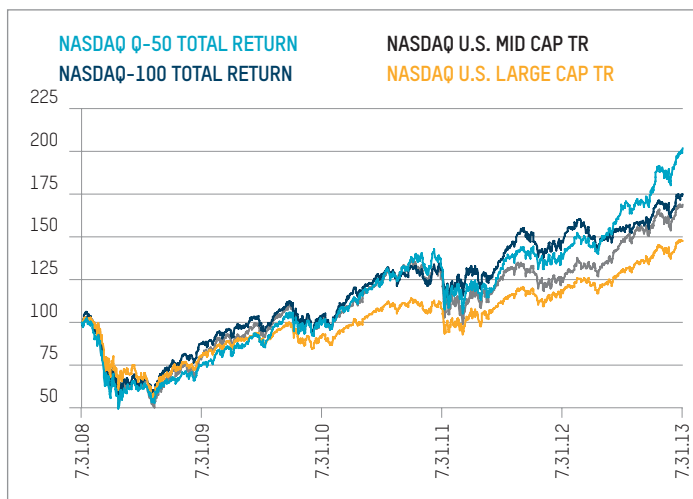


Table 2 shows the volatilities of the four indexes over the same five-year period. The NASDAQ Q-50 TR Index experienced only modestly higher volatility than the other indexes.

TABLE 2. ANNUALIZED VOLATILITY

INDEX	ANNUALIZED VOLATILITY (7/31/2008 to 7/31/2013)
NASDAQ Q-50 TOTAL RETURN	27.67%
NASDAQ - 100 TOTAL RETURN	26.09%
NASDAQ U.S. LARGE CAP TR	25.21%
NASDAQ U.S. MID CAP TR	28.95%

Although the NASDAQ Q-50 Index and the NASDAQ-100 Index are natural counterparts for comparison, by some measures, the NASDAQ Q-50’s characteristics are closer to that of a mid cap index. For example, Table 3 compares the weighted average market cap and median market cap of the NASDAQ-100 Index, as well as the NASDAQ U.S. Large and U.S. Mid Cap Indexes. The NASDAQ Q-50’s weighted average market cap, at \$8.4B, is closest to the NASDAQ U.S. Mid-Cap’s \$5.9B vs. the comparable figure for the NASDAQ U.S. Large Cap (\$111.7B) and the NASDAQ-100 (\$129.4B). The NASDAQ Q-50’s median market cap, at \$7.1B, is again closest to the NASDAQ U.S. Mid Cap’s \$4.6B vs. the comparable figure for the NASDAQ U.S. Large Cap (\$19.8B) and the NASDAQ-100 (\$14.7B).

**TABLE 3. MARKET CAPITALIZATION CHARACTERISTICS**

INDEX CHARACTERISTIC	WEIGHTED AVERAGE MARKET CAP (BILLIONS)	MEDIAN MARKET CAP (BILLIONS)
NASDAQ Q-50	\$8.37	\$7.08
NASDAQ - 100	\$129.40	\$14.71
NASDAQ U.S. LARGE CAP	\$111.73	\$19.81
NASDAQ U.S. MID CAP	\$5.94	\$4.61

Table 4 illustrates the liquidity characteristics of the securities in each index as measured by turnover, which is the average daily dollar trading volume for a given security divided by its market capitalization. Although the NASDAQ Q-50's component characteristics push it closer to the Mid Cap segment, that does not imply a lower level of liquidity. Specifically, the turnover for the NASDAQ Q-50 Index is virtually identical to that of the NASDAQ-100 Index (1.07% vs. 1.08%), modestly higher than the NASDAQ U.S. Mid Cap Index, and significantly above that of the NASDAQ U.S. Large Cap Index.

**TABLE 4. LIQUIDITY CHARACTERISTICS**

INDEXES	AVERAGE TURNOVER
NASDAQ Q-50	1.07%
NASDAQ - 100	1.08%
NASDAQ U.S. LARGE CAP	0.78%
NASDAQ U.S. MID CAP	0.99%

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