

# Getting a Handle on the Nasdaq HANDL™ Methodology

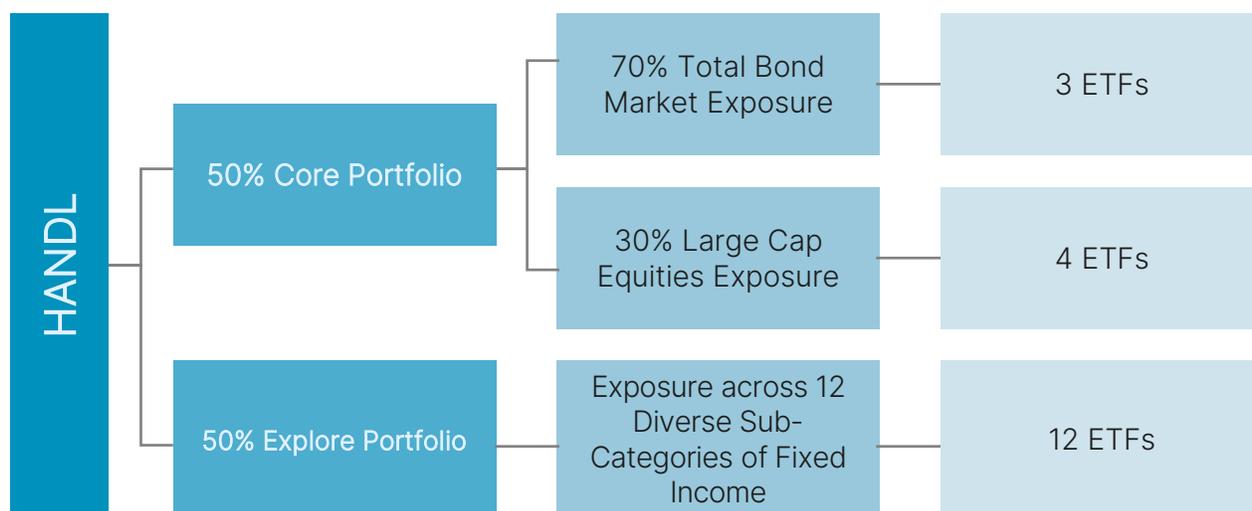
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The suite of Nasdaq HANDL Indexes was created for investors looking to track high-dividend, rules-based fixed income solutions inside of a single wrapper, offering an alternative to income-generating products like annuities. The HANDL methodology dates back to 2017, and the suite of indexes now includes the Nasdaq 5HANDL™, the Nasdaq 7HANDL™, and the Nasdaq 10HANDL™, all of which are comprised of a well-diversified, multi-asset portfolio of ETFs. The overall objective of the underlying HANDL methodology is simply to maximize returns while also providing a steady stream of income in the form of monthly distributions. In today's low-interest-rate environment, generating a steady stream of income has the potential to be an exceptionally challenging task for investors.

Index Name	Leveraged Exposure	Targeted Distribution Rate	Index Inception Date
Nasdaq 5HANDL Index	0	5%	6/13/2018
Nasdaq 7HANDL Index	1.3x	7%	10/12/2017
Nasdaq 10HANDL Index	2x	10%	11/16/2021

As each name implies, the 5HANDL seeks a 5% annual distribution rate, while the 7HANDL and 10HANDL strategies seek annual distribution rates of 7% and 10%, respectively. On the surface, the 5HANDL, 7HANDL, and 10HANDL all hold the same basket of 19 low-cost ETFs via two equally weighted "Core" and "Explore" portfolios. What sets the three HANDL indexes apart from one another, however, is the amount of leverage utilized to reach their stated targeted annual distribution rates, all while maintaining a stable net asset value over time. The 7HANDL methodology uses leverage equal to 1.3x, or 23% of the portfolio, to target its annual distribution rate of 7%, while the 10HANDL uses leverage equal to 2.0x to target its 10% annual distribution rate. The 5HANDL strategy targets a 5% annual distribution rate and does not use any leverage.



As mentioned above, all three HANDL indexes are comprised of the same underlying basket of ETFs before adding varying degrees of leverage to achieve their respective targeted distribution rates. In order to be eligible, an ETF must first meet the following criteria: be an ETF organized under the Investment Company Act of 1940, be open for daily creations and redemptions, be listed on a U.S. exchange, have a three-month average daily trading volume of at least 20,000 shares, and have traded for a minimum of one year. The underlying basket provides equally weighted exposure to a “Core” portfolio of ETFs as well as an “Explore” ETF portfolio. The components underlying the base (unleveraged) index as of the end of day on June 30, 2022, are shown in the image below.

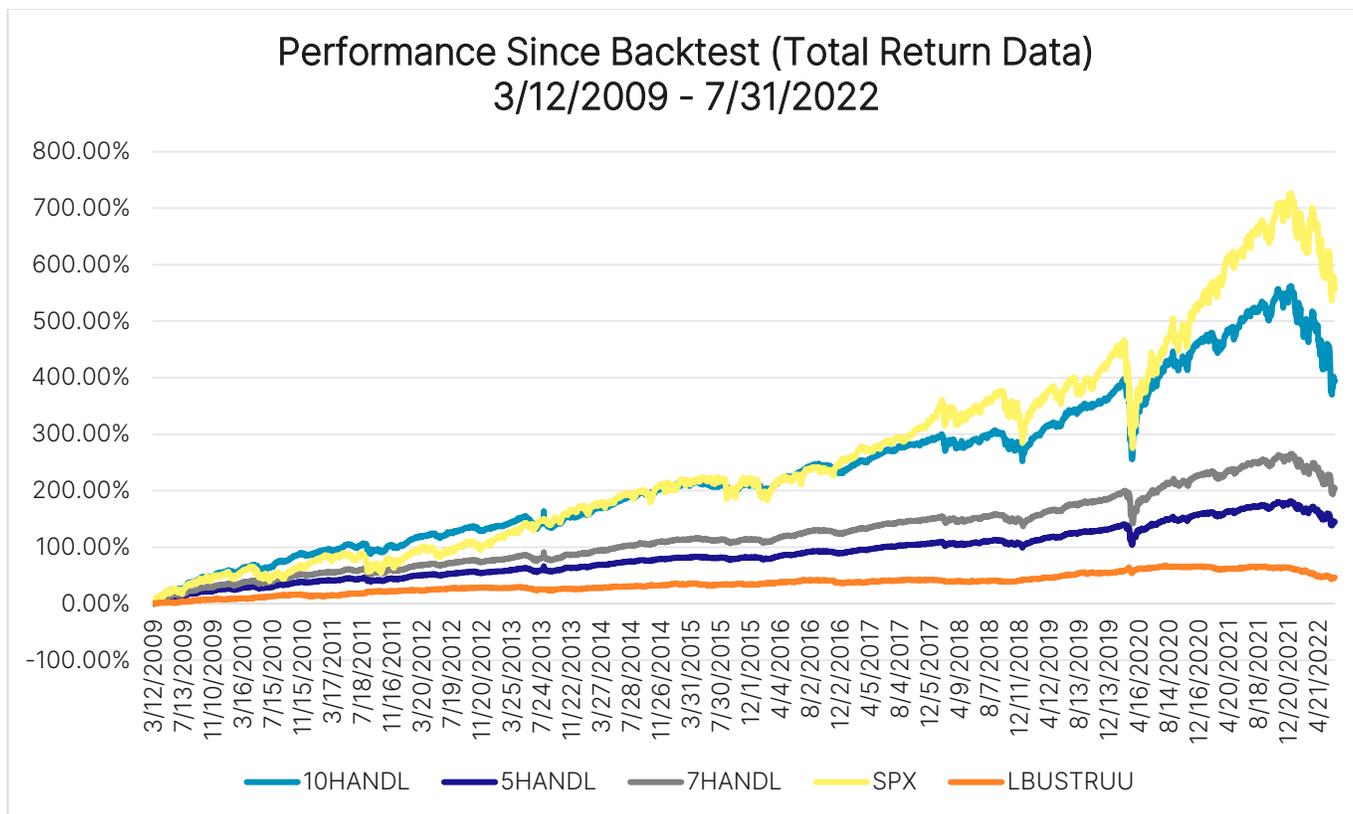
Portfolio Sleeve	Symbol	Company Name	Index Weight (%)
Core	AGG	iShares Core U.S. Aggregate Bond ETF	11.28
Core	BND	Vanguard Total Bond Market ETF	11.26
Core	SPAB	SPDR Portfolio Aggregate Bond ETF	11.27
Core	QQQ	Invesco QQQ Trust	7.97
Core	IVV	iShares Core S&P 500 ETF	2.58
Core	SCHX	Schwab U.S. Large-Cap ETF	2.58
Core	VOO	Vanguard S&P 500 ETF	2.58
Explore	VIG	Vanguard Dividend Appreciation ETF	6.46
Explore	AMLPL	Alerian MLP ETF	8.19
Explore	SCHH	Schwab U.S. REIT ETF	5.91
Explore	XLU	Utilities Select Sector SPDR Fund	7.02
Explore	NTSX	WisdomTree U.S. Efficient Core Fund	5.30
Explore	JEPI	JPMorgan Equity Premium Income ETF	3.76
Explore	PFFD	Global X U.S. Preferred ETF	4.47
Explore	USHY	iShares Broad USD High Yield Corporate Bond ETF	1.28
Explore	BAB	Invesco Taxable Municipal Bond ETF	2.46
Explore	VCIT	Vanguard Intermediate-Term Corporate Bond ETF	1.88
Explore	FBND	Fidelity Total Bond ETF	0.62
Explore	VMBS	Vanguard Mortgage-Backed Securities ETF	3.12

\*Nasdaq 5HANDL Index holdings as of EOD 7/29/2022

The “Core” portfolio of ETFs is split into two main components – 70% fixed income component, and 30% equity component. The fixed-income component of the “Core Portfolio” is made up of three of the largest, least expensive U.S. Aggregate bond ETFs available. The equity component of the “Core” portfolio allocates half of its exposure across three US large-cap equity ETFs based on AUM and expense ratios and the remaining 50% is then allocated to the largest ETF by AUM that tracks the Nasdaq-100® Index. The Core Portfolio is rebalanced monthly and reconstituted every January.

The “Explore” portfolio component is made up of 12 ETFs representing 12 different sub-categories of fixed income, such as master limited partnerships (MLPs), real estate investment trusts (REITs), and growth and income equities. Like the “Core” portfolio, the 12 ETFs in the “Explore” portfolio are determined by AUM and expense ratios, seeking out the largest, least expensive, and most liquid ETFs in each sub-category. To determine their final weightings in the “Explore” portfolio, the 12 funds are ranked based on relative strength using a Relative Strength Matrix, which compares each fund to one another using one objective input – price. A high relative strength ranking for a fund implies its superior relative strength, resulting in a relative overweight in the “Explore” portfolio. Conversely, ETFs with weaker RS rankings receive relatively lower weightings.

Because the objective for the HANDL indexes is to maximize returns while providing a steady stream of income, distributions are paid out monthly, typically occurring mid-month. It is important to note that income is paid in the form of distributions, not dividends.



Since the suite of HANDL indexes is designed to track a stream of steady income, the underlying holdings consist of a combination of fixed-income ETFs, large-cap ETFs, as well as 12 diverse income-generating categories like Real Estate Investment Trusts (REITs), Master Limited Partnerships (MLPs), and utility stocks. Said another way, the underlying portfolio is not a pure fixed-income play nor a pure large-cap play. As a result, the HANDL indexes have not performed as well as the S&P 500 Index (S&P 500) historically. However, because of the tactical nature

and composition of the exploration portfolio, we find that the cumulative performance of each HANDL strategy since the beginning of our back test has managed to outperform the Bloomberg US Aggregate Bond Index (LBSTRUU) on a total return basis. Since March 12, 2009, the 5HANDL, 7HANDL, and 10HANDL indexes have returned 159.19%, 227.64%, and 454.99%, respectively, outpacing LBSTRUU's return of 50.32%. The S&P 500 gained 618.04% over the same period. With a relatively low-risk profile due to the blending of equities and fixed income, the exchange-traded products tracking the HANDL indexes may be suitable solutions for those investors looking to fill the fixed income sleeve of their portfolio in order to generate a steady income stream in the form of monthly distributions. These indexes are meant to be as close as what you think of when you hear the words "fixed income". They are literally looking to achieve a fixed amount of income.

Summary: The suite of Nasdaq HANDL Indexes was created for investors looking to track high-dividend, rules-based fixed income solutions inside of a single wrapper, offering an alternative to income-generating products like annuities. The HANDL methodology dates back to 2017, and the suite of indexes now includes the 5HANDL, 7HANDL, and 10HANDL, all of which are comprised of a well-diversified, multi-asset portfolio of ETFs.

The Strategy Shares Nasdaq 5HANDL Index ETF (NASDAQ: FIVR) tracks the Nasdaq 5HANDL Index.

The Strategy Shares Nasdaq 7HANDL Index ETF (NASDAQ: HNDL) tracks the Nasdaq 7HANDL Index.

Sources: Nasdaq Global Indexes, Bloomberg, FactSet

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