ISE Cloud Computing™ Index Methodology

Index Description

The ISE Cloud Computing Index is designed to track the performance of companies involved in the cloud computing industry.

Index Calculation

The ISE Cloud Computing Index is a modified market capitalization-weighted index. The value of the Index equals the aggregate value of the Index share weights, also known as the Index Shares, of each of the Index Securities multiplied by each such security's Last Sale Price\(^1\), and divided by the divisor of the Index. The divisor serves the purpose of scaling such aggregate value to a lower order of magnitude which is more desirable for Index reporting purposes. If trading in an Index Security is halted on its primary listing market, the most recent Last Sale Price for that security is used for all index computations until trading on such market resumes. Likewise, the most recent Last Sale Price is used if trading in a security is halted on its primary listing market before the market is open. The Index began on December 31, 2007 with a base value of 100.00.

The formula for index value is as follows:

\[
\frac{\text{Aggregate Adjusted Market Value}}{\text{Divisor}}
\]

The formula for the divisor is as follows:

\[
\left(\frac{\text{Market Value after Adjustments}}{\text{Market Value before Adjustments}}\right) \times \text{Divisor before Adjustments}
\]

Three versions of the Index are calculated:

- The price return index in USD (Nasdaq: CPQ) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index in USD (Nasdaq: CPQTR) reinvests cash dividends on the ex-date.
- The net total return index in USD (Nasdaq: CPQNTR) reinvests cash dividends on the ex-date and adjusts for an Index Security’s country of incorporation withholding rate. The net total return index began on February 6, 2017 at a base value of 400.00.

All Indexes reflect extraordinary cash distributions.

The Indexes are calculated and disseminated once per second from 9:30:01 to 17:16:00 Eastern Time (ET) in USD. 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.

\(^1\) For purposes of this document, Last Sale Price refers to the last regular way trade reported on such security’s Index Market. The Index Market is the listing market for which prices are received and used by Nasdaq in the Index calculation and generally will represent the most liquid trading market of the Index Security. If a security does not trade on its Index Market on a given day or the Index Market has not opened for trading, the most recent last sale price from the Index Market (adjusted for corporate actions, if any) is used. For securities where Nasdaq is the Index Market, the Last Sale Price may be the Nasdaq Official Closing Price (NOCP) when Nasdaq is closed.
Eligibility

Index eligibility is limited to specific security types only. The security type eligible for the Index include common stocks, ordinary shares and depositary receipts. Security types not eligible for the index include closed-end funds, exchange-traded funds (ETF) or Real Estate Investment Trusts (REIT).

Eligibility Criteria (*)

To be eligible for inclusion in the Index, a security must meet the following criteria

- the issuer of the security must be classified as being involved in a business activity supporting or utilizing the cloud computing space:
  1. Companies that are direct service providers for “the cloud” (network hardware/software, storage, cloud computing services) or companies who business model relies on delivering goods and services that utilize cloud computing technology are classified as “pure play” cloud computing companies.
  2. Companies that focus outside the cloud computing space but provide goods and services in support of the cloud computing space are classified as “non-pure play” cloud computing companies.
  3. Large broad based companies who business model indirectly utilizes or supports the use of cloud computing technology are classified as “technology conglomerate” cloud computing companies.
- be listed on the Nasdaq Stock Market, the New York Stock Exchange, NYSE American, or the CBOE Exchange;
- a minimum market capitalization of $100 million;
- a minimum free float of 20%;
- a minimum three-month average daily dollar trading volume (ADDTV) of $1 million;
- one security per issuer is permitted2;
- have “seasoned” for at least three months on an index recognized market;
- the issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being Index eligible;
- may not be issued by an issuer currently in bankruptcy proceedings; and
- the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn.

*For the purpose of Index Eligibility Criteria, if the security is a depositary receipt representing a security of a non-U.S. issuer, the references to the “issuer” are references to the issuer of the underlying security.

Index Evaluation

The Index is evaluated in June and December. The criteria are applied using market data as of the end of April and October. Securities meeting the criteria are included in the Index. Security additions and deletions are made effective after the close of trading on the third Friday in June and December.

Additionally, if at any time during the year other than the Evaluation, an Index Security is determined to have become ineligible for continued inclusion in the Index due to bankruptcy, delisting, or a definitive agreement that would likely result in the security no

2 If an issuer has multiple securities, the security with the highest three-month ADDTV will be selected for possible inclusion into the Index.
longer being Index eligible, the security is removed from the Index and is not replaced. In
the case of mergers and acquisitions, the Index Security may be removed the day following
the shareholder vote or the expected expiration of the tender offer, provided the acquisition
is not contested. In the event the acquisition is contested then the deletion will occur as
soon as reasonably practicable, once results have been received that indicate the acquisition
will likely be successful. Ordinarily, a security will be removed from the Index at its Last
Sale Price. If, however, at the time of its removal the Index Security is halted from trading
on its primary listing market and an official closing price cannot readily be determined, the
Index Security may, in Nasdaq’s discretion, be removed at a zero price. The zero price will
be applied to the Index Security after the close of the market but prior to the time the
official closing value of the Index is disseminated, which is ordinarily 17:16:00 ET.

**Index Maintenance**

Index Share changes are not made during the quarter however changes arising from stock
dividends and stock splits are made to the Index on the evening prior to the effective date
of such corporate action. In the case of certain spin-offs or rights issuances, the price of the
Index Security is adjusted and a corresponding adjustment is made to the Index Shares
such that the weight of the Index Security does not change as a result of the action.
However, for a spin-off event, if there is a no when-issued trading available for the spin-co
security, the spin-co security may be added to the index at a zero value. In this case, the
spin-co security will be removed from the Index after two full days of trading.

A special cash dividend announced by the listing exchange, will result in an adjustment to
the Last Sale Price for the special amount distributed and a corresponding adjustment to the
Index Shares of an Index Security prior to market open on the ex-date such that the weight
of the Index Security will not change as a result of the action. A special dividend may also
be referred to as extra, extraordinary, non-recurring, one-time, unusual, etc.

Ordinarily, whenever there is a change in an Index Security as noted above, the divisor is
adjusted to ensure that there is no discontinuity in the value of the Index which might
otherwise be caused by any such change. All changes are announced in advance and are
reflected in the Index prior to market open on the Index effective date.

**Index Rebalancing**

The Index employs a modified market capitalization weighting methodology. At each Index
Evaluation, the following rebalance is performed:

1. For each classification group, assign an overall weight using the following equations:

   a. \( W_{TC} = 10\% \)

   b. \( W_{NPP} = \frac{\sum (CAP_{NPP})}{\sum (CAP_{PP} + CAP_{NPP})} \)

   c. \( W_{PP} = 100\% - (W_{NPP} + W_{TC}) \)

   where:
2. Adjust each Index Security’s weighting to an equal weight within its classification group’s aggregate weight using the following equation:

\[
W_i = \frac{W_S}{\sum_{S=1}^{S}(C_{Si})}
\]

where:
- \(W_i\) = Weight of Index Security \(i\)
- \(W_S\) = Weight of classification group \(S\)
- \(C_{Si}\) = Index Security \(i\) of classification group \(S\)

Once initial Index Security weights are established those weights are then optimized to account for Index Securities exhibiting traits of limited liquidity.

The mechanism by which the adjustment is made is as follows:

3. Set liquidity optimization threshold:
   a. Calculate three-month ADDTV for each Index Security
   b. Set percentage of three-month ADDTV threshold to 30%
   c. Set investment threshold to $100 million

4. Determine Index Security percentage of ADDTV given the investment threshold and the calculated weight of the Index Security using the following equation:

\[
ADDTV_{%i} = \frac{W_i \times $100,000,000}{ADDTV_{Si}}
\]

where:
- \(W_i\) = Weight of Index Security \(i\)
- \(ADDTV_{%i}\) = Percentage of three-month ADDTV for Index Security \(i\)
- \(ADDTV_{Si}\) = Three-month ADDTV for Index Security \(i\)

5. If the calculated value is less than the percentage threshold ("pass") then the weight of Index Security \(i\) does not need to be adjusted.

6. If the calculated value is greater than the percentage threshold ("fail") then assign a new modified weight to Index Security \(i\) equal to the percentage threshold using the following steps:
   a. Calculate the Index Security weight based on the investment threshold and three-month ADDTV threshold using the following equation:
\[ W'_i = \frac{500\% \times ADDTV_{si}}{\$100,000,000} \]

where:
- \( W'_i \) = Modified weight of Index Security \( i \)
- \( ADDTV_{si} \) = Three-month ADDTV for Index Security \( i \)

b. Take the aggregate difference between the initial and modified weights of those Index Securities failing the threshold test and distribute evenly among Index Securities passing the threshold test using the following equations:

\[ W_{adj} = \frac{\sum_{i} (W_i - W'_i)}{n'} \]

where:
- \( W_i \) = Initial weight of Index Security \( i \) failing threshold test
- \( W'_i \) = Modified weight of Index Security \( i \) failing threshold test
- \( W_{adj} \) = Adjustment for weight of Index Security \( i \) passing threshold test
- \( n' \) = Number of Index Securities passing threshold test

c. Adjust the weight of the Index Securities passing the threshold test using the following equation:

\[ W'''_i = W_i + W_{adj} \]

where:
- \( W_i \) = Initial weight of Index Security \( i \) passing threshold test
- \( W'''_i \) = Modified weight of Index Security \( i \) passing threshold test
- \( W_{adj} \) = Adjustment for weight of Index Security \( i \) passing threshold test

d. Repeat step 6 until all Index Securities pass the liquidity threshold test.

Index Shares are calculated by dividing the above determined weight for each Index Security by the corresponding last sale price multiplied by the spot rate of the security at the close of trading on the last trading day of the month prior to the Index Evaluation i.e., May or November. The changes are effective after the close of trading on the third Friday in June and December.

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity.

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