

# NASDAQ US Dividend Achievers™ Select Index Methodology

## Index Description

The NASDAQ US Dividend Achievers Select Index is comprised of a select group of securities with at least ten consecutive years of increasing annual regular dividend payments.

## Index Calculation

The NASDAQ US Dividend Achievers Select 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<sup>1</sup>, 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. The Index began on March 29, 2006 at a base value of 1169.75.

The formula for index value is as follows:

$$\text{Aggregate Adjusted Market Value/Divisor}$$

The formula for the divisor is as follows:

$$(\text{Market Value after Adjustments/Market Value before Adjustments}) \times \text{Divisor before Adjustments}$$

Eight versions of the Index are calculated – a price return index and a total return index.

- The price return index in USD (Nasdaq: DVG) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index in USD (Nasdaq: DVGTR) reinvests cash dividends on the ex-date.
- The price return index in CAD (Nasdaq: DVGCAD) was synchronized to the value of the DVG price return index at the close on June 18, 2013. The closing index spot rate is based on the London WM 4 PM Spot Rate.
- The total return index in CAD (Nasdaq: DVGCADTR) was synchronized to the value of the DVGTR total return index at the close on June 18, 2013. The closing index spot rate is based on the London WM 4 PM Spot Rate.
- The price return index in CAD (Nasdaq: DVGCADNY4) was synchronized to the value of the DVG price return index at the close on February 17, 2017. The closing index spot rate is based on the New York WM 4 PM Spot Rate.
- The total return index in CAD (Nasdaq: DVGCADTRNY4) was synchronized to the value of the DVGTR total return index at the close on February 17, 2017. The closing index spot rate is based on the New York WM 4 PM Spot Rate.

---

<sup>1</sup> 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.

- The notional net total return (70% version) index in CAD (Nasdaq: DVGCADN) is designed to reflect a net total return index reinvesting 70% of cash dividends, and factors in a deduction based on an indicative 30% tax rate. The notional net total return (70% version) index began on April 6, 2017 at a base value of 1000.
- The notional net total return (70% version) index in CAD (Nasdaq: DVGCADNY4N) is designed to reflect a net total return index reinvesting 70% of cash dividends, and factors in a deduction based on an indicative 30% tax rate. The notional net total return (70% version) index began on April 6, 2017 at a base value of 1000. The closing index spot rate is based on the New York WM 4 PM Spot Rate.

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). The closing value of the Index(es) may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

### **Eligibility**

Index eligibility is limited to specific security types only. The security type eligible for the Index is common stocks.

### **Eligibility Criteria**

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

- be included in the NASDAQ US Broad Dividend Achievers™ Index (DAA) excluding limited partnerships and REITs; and
- additional proprietary eligibility are applied.

### **Index Evaluation**

The Index Securities are evaluated annually in March. The above Eligibility Criteria are applied using market data through the end of December. 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 March.

Additionally, if at any time during the year other than the Evaluation, an Index Security no longer meets the Eligibility Criteria, or is otherwise determined to have become ineligible for inclusion in the Index, the security is removed from the Index and is not replaced. In all cases, a security is 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**

Changes in the price and/or Index Shares driven by corporate events such as stock dividends, stock splits and certain spin-offs and rights issuances are adjusted on the ex-date. If the change in total shares outstanding arising from other corporate actions is greater than or equal to 10.0%, the change is made as soon as practicable. The Index

Shares are adjusted by the same percentage amount by which the total shares outstanding have changed.

A special cash dividend announced by the listing exchange, will result in an adjustment to the Last Sale Price of an Index Security prior to market open on the ex-date for the special amount distributed. A special dividend may also be referred to as extra, extraordinary, non-recurring, one-time, unusual, etc.

Ordinarily, whenever there is a change in Index Shares, a change in an Index Security or a change to the price of an Index Security due to spin-offs, rights issuances or special cash dividends as mentioned 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 with the exception of Index Evaluation 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 the rebalancing, the Index is rebalanced such that the maximum weight of any Index Security does not exceed 4%. The excess weight of any capped security is distributed proportionally across the remaining Index Securities.

The modified market capitalization weighting methodology is applied to the capitalization of each Index Security as of the last trading day in February. Index Shares are then calculated multiplying the weight of the security derived above by the new market value of the Index and dividing the modified market capitalization for each Index Security by its corresponding Last Sale Price. The changes are effective after the close of trading on the third Friday in March.

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

April 2017