



## INDEX METHODOLOGY

# DORSEY WRIGHT TACTICAL TILT MODERATE CORE™ INDEX

## DWATTMCTM

### INDEX DESCRIPTION

The Dorsey Wright Tactical Tilt Moderate Core Index is designed to provide variable exposure to exchange traded funds (ETFs) and other securities representing the highest ranked asset classes based on the Dorsey Wright's Relative Strength Tally Rankings.

### SECURITY ELIGIBILITY CRITERIA

#### Eligible security types

Eligible security types generally include exchange traded funds (ETFs) across various asset classes including US Equity, International Equity, and Fixed Income. In instances where there is a desire to reduce equity or Long Term (LT) Fixed Income exposure, the Dorsey Wright Tactical Tilt Moderate Core Index will invest in the First Trust Enhanced Short Maturity ETF (Nasdaq: FTSM).

### INDEX CALENDAR

#### Reconstitution schedule

The Index Reconstitution is conducted on a weekly and monthly basis ("Evaluation Week"). During the weekly reconstitution, only the sub-asset classes within the Index are updated, whereas during the monthly reconstitution, which is conducted during the first week of each month, the entire Index is reconstituted to reflect changes within the macro-asset class rankings.

#### Reconstitution reference dates

The Security Eligibility Criteria and the Constituent Selection Process are applied using market data as of the close of trading on Tuesday of the Evaluation Week. If this day is a market holiday, the preceding

trading day will be used as the reference date for changes within the macro asset class rankings, and the next trading day will be used for changes within the sub-asset class level.

### **Reconstitution announcement dates**

Index Reconstitutions are generally announced on Wednesday of the Evaluation Week. If this day is a market holiday, the announcement will be postponed to the next trading day.

### **Reconstitution effective dates**

Index Reconstitutions generally become effective at market open on the first trading day following the Friday of the Evaluation Week. At least two trading days are required between the Reconstitution Announcement and Effective Dates.

### **Rebalance schedule**

The Index is rebalanced in conjunction with the Index Reconstitution by applying the Constituent Weighting Process. The Rebalance Reference, Announcement and Effective Dates are the same as those of the Index Reconstitution.

### **Holiday schedules**

The Indexes are calculated Monday through Friday, except on days when the US markets are closed.

### **Index calculation and dissemination schedule**

The Index is calculated during the trading day based on the Last Sale Price and are disseminated once per second from 09:30:01 to 17:16:00 ET. The closing value of the Index may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

## **CONSTITUENT SELECTION**

### **Constituent selection process**

The Index Provider believes that the most adaptive tool to achieve the goal of discerning the strongest trends from the weakest is Relative Strength. Relative Strength is a momentum technique that relies on unbiased, unemotional, objective data, rather than biased forecasting and subjective research. Relative Strength is a way of recording historic performance patterns. Dorsey Wright Associates (DWA) uses Relative Strength signals as an indicator for current momentum trends among a universe of securities.

## Point & Figure Charting

Dorsey Wright uses Point & Figure charting to record supply and demand within a security, focusing on the price movements of that security. Point-and-Figure charts filter out insignificant price movements by ignoring small price fluctuations, trading volume, and time.

## Point & Figure Relative Strength Charting

Relative Strength is another technical analysis tool that measures a security's performance relative to other securities, benchmarks, or broad market indices. Relative Strength is a momentum technique that relies on unbiased, unemotional, objective data, rather than biased forecasting and subjective research. Relative Strength is a way of recording historic performance patterns, and Dorsey Wright and Associates (DWA) uses Relative Strength signals as an indicator for current momentum trends of a security versus others.

For the purpose of conducting the Dorsey Wright Tactical Tilt Moderate Core methodology, DWA establishes an inventory of ETFs to represent the macro asset classes including, but not limited to: US Equity, International Equity, Fixed Income, and Ultra Short Duration ETF.

DWA builds approximately 2,500 Relative Strength comparisons for each ETF versus each of the others in the inventory using the following process:

- (i) On a daily basis, DWA computes the ratio of the closing price of each ETF representing either one of the asset classes or a cash proxy to the closing price of each other in the established inventory.  
  
Example:  $\text{Relative Strength Reading} = (\text{ETF 1 Closing Price} \div \text{ETF 2 Closing Price}) \times 100$
- (ii) As a result of on-going calculations, a Point-and-Figure Relative Strength chart is created for each relationship within the inventory. A Point-and-Figure Relative Strength chart is a variation of a Point & Figure chart using the input value as computed in the previous step, instead of individual security prices.

## Relative Strength Matrix

DWA has implemented a systematic way of analyzing many Point-and-Figure Relative Strength charts by aggregating Buy Signals and Sell Signals within a “Matrix” format. When a column of X’s exceeds a previous column of X’s, the chart indicates a “Buy Signal” (also referred to as positive Relative Strength). Conversely, “Sell Signals” are given when a column of O’s exceeds a previous column of O’s (also referred to as negative Relative Strength).

DWA created the Relative Strength Matrix (the “Matrix”) to analyze large numbers of charts and to easily display an equally large data set of signals. Each box of the Matrix represents a Relative Strength comparison between one ETF and another, where the numerator is the ETF running down the left-hand side of the matrix and the denominator is the ETF from the top of the Matrix. For each ETF in the defined inventory, the total number of Relative Strength charts that are on a Buy Signal is noted in the column “Buys” of the Matrix. The Matrix is ranked such that the ETF with the highest number of Buy Signals is ranked #1, and appears at the top of the Matrix. The ETF with the lowest number of Buy Signals is ranked last and appears at the bottom of the Matrix.

## Matrix Tally Concept

After conducting Relative Strength analysis among all representative securities from the inventory within the Matrix, DWA then ranks the macro asset classes from strongest to weakest based on their respective “Tally” rankings. The Tally reading is simply the sum of the Buy Signals for each ETF representing a given asset class. The number of Buy Signals for each of the ETFs included in the Matrix contributes equally to the Tally reading of the asset class they represent.

On a monthly basis the Tally rankings are used to allocate across the macro asset class based on the predetermined minimum and maximum thresholds outlined below:

Asset Class	Min Allocation	Max Allocation
Domestic Equity	20%	75%
International Equity	5%	25%
Fixed Income	20%	60%
Ultra Short Duration ETF	0%	50%

To fulfill the allocation to each of the macro asset classes, DWA will apply a similar Relative Strength analysis to Sector and Sub-Sector ETFs within each asset class in an effort to target momentum trends on a sub-asset class level within the Index.

## CONSTITUENT WEIGHTING

### Constituent weighting scheme

The Index is a modified market capitalization-weighted index.

### Constituent weighting process

The Index employs a replacement methodology for changes within the sub-asset class level, such that the new security maintains the weight of the security replaced. The entire Index, both on the macro and sub-asset class level, gets rebalanced to target weights when:

- (i) The macro asset class weights stray more than 2% away from the target allocation at the monthly evaluation
- (ii) The Tally rankings of the macro asset classes change at the monthly evaluation

For additional information about index weighting, see **Nasdaq Standard Index Weight Adjustment Guidelines**.

## INDEX MAINTENANCE

### Deletion policy

If, at any time during the year other than the Index Reconstitution(s), an Index Security no longer meets the Eligibility Criteria, or is otherwise determined to have become ineligible for inclusion in the Index, it is removed from the Index. This includes circumstances where an ETF is determined to be ineligible for continued inclusion in the Index due to a pending liquidation, delisting, or definitive agreement to merge with another fund.

### Replacement policy

Index securities deleted at any time during the year other than the Index Reconstitution(s) are not replaced.

### Corporate actions

In the interim periods between scheduled index reconstitution events, individual Index securities may be the subject to a variety of corporate actions and events that require maintenance and adjustments to the Index. Specific treatment of each type of corporate action or event is described in Nasdaq **Corporate Actions and Events Manual – Equities**, which is incorporated herein by reference.

In certain cases, corporate actions and events are handled according to the weighting scheme or other index construction techniques employed. Wherever alternate methods are described, the Index will follow the “Non-Market Cap Corporate Action Method.”

### Index share adjustments

Other than as a direct result of corporate actions, the index does not normally experience share adjustments between scheduled index rebalance and reconstitution events.

## ADDITIONAL INFORMATION

### Announcements

Nasdaq announces Index-related information via the Nasdaq Global Index Watch (GIW) website at <http://indexes.nasdaqomx.com>.

For more information on the general Index Announcement procedures, please refer to the **Nasdaq Index Methodology Guide**.

### Unexpected market closures

For information on Unexpected Market Closures, please refer to the **Nasdaq Index Methodology Guide**.

## Calculation types

For information on the Index calculation types as well as the mathematical approach used to calculate the Index(es), please refer to the **Calculation Manual – Equities & Commodities**.

## Recalculation and restatement policy

For information on the Recalculation and Restatement Policy, please refer to the **Nasdaq Index Recalculation Policy**.

## Data sources

For information on data sources and the classification of dividends and associated tax rates, please refer to the **Nasdaq Index Methodology Guide**.

## Contact information

For any questions regarding an Index, please contact the Nasdaq Index Client Services team at [indexservices@nasdaq.com](mailto:indexservices@nasdaq.com).

## Index dissemination

Index values and weightings information are available through Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaqomx.com/> as well as the Nasdaq Global Index FlexFile Delivery Service (GIFFD) and Global Index Dissemination Services (GIDS). Similar to the GIDS offerings, Genium Consolidated Feed (GCF) provides real-time Index values and weightings for the Nordic Indexes.

For more detailed information regarding Index Dissemination, see the **Nasdaq Index Methodology Guide**.

## Website

For further information, please refer to Nasdaq GIW website at <https://indexes.nasdaqomx.com/>.

## FTP and dissemination service

Index values and weightings are available via FTP on the Nasdaq Global Indexes FlexFile Delivery Service (GIFFD). Index values are available via Nasdaq's Global Index Dissemination Services (GIDS).

## GOVERNANCE

All Nasdaq Indexes are managed by the governance committee structure and have transparent governance, oversight, and accountability procedures for the index determination process. For further details on the Index Methodology and Governance overlay, refer to the **Nasdaq Index Methodology Guide**.

## GLOSSARY OF TERMS AS USED IN THIS DOCUMENT

For the glossary of key terms, please refer to the **Nasdaq Index Methodology Guide**.

## DISCLAIMER

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity, including but not limited to, quantitative inclusion criteria. Nasdaq may also, due to special circumstances, if deemed essential, apply discretionary adjustments to ensure and maintain the high quality of the index construction and calculation. Nasdaq does not guarantee that any Index accurately reflects future market performance.

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