



NASDAQ[®] LadderRite[®] USD Corporate Bond Indexes

OVERVIEW

NASDAQ LadderRite[®] USD Corporate Bond Indexes are diversified, laddered bond portfolios. Each NASDAQ LadderRite USD Corporate Bond Index tracks a diversified basket of bonds using an equally weighted annual maturity ladder. Set forth below are the criteria for determining the index family's universe of eligible securities (the "Eligible Universe") and the methodology for constructing each index.

The index family includes the following indexes:

Index Name	Index Ticker
NASDAQ LadderRite 0-10 Year USD Corporate Bond Index	LDRIG010
NASDAQ LadderRite 0-7 Year USD Corporate Bond Index	LDRIG07
NASDAQ LadderRite 0-5 Year USD Corporate Bond Index	LDRIG05
NASDAQ LadderRite 0-4 Year USD Corporate Bond Index	LDRIG04
NASDAQ LadderRite 0-3 Year USD Corporate Bond Index	LDRIG03
NASDAQ LadderRite 0-2 Year USD Corporate Bond Index	LDRIG02

INDEX CALCULATION

1. The NASDAQ LadderRite USD Corporate Bond Indexes are weighted using a market capitalization targeting approach and employ a proprietary, patent pending rebalancing methodology designed to reduce constituent turnover while maintaining the risk characteristics of a market capitalization weighted index.
2. The value of each index equals the aggregate value of its index par value multiplied by each constituent security's evaluated midpoint price plus accrued interest divided by the index divisor.
3. The index divisor serves the purpose of scaling such aggregate value to a lower order of magnitude for reporting purposes.
4. The formula for index values are as follows:

Aggregate Index Market Value/ Divisor

5. The Indexes are calculated once per trading day and are disseminated at 4:30 p.m. Eastern Time.

INDEX CONSTRUCTION

1. NASDAQ LadderRite USD Corporate Bond Indexes Eligibility Criteria

- A. Issuers.** Only U.S. dollar-denominated bonds issued by companies domiciled in the U.S., Canada, Western Europe¹ or Japan are included in the Eligible Universe.
- B. Types of Bonds.** Bonds must pay fixed amounts of taxable interest to be included in the Eligible Universe. The following bond types are specifically included:
- Fixed coupon bonds.
 - Callable bonds.
 - Step-ups, event-driven, rating-driven and registration-driven bonds.
 - Amortizing bonds and sinking funds with fixed sinking schedules.
- C. Selection Criteria.** Bonds must meet all of the following selection criteria to be included in the Eligible Universe:
- Minimum credit rating of BBB- from Fitch Investor Services (“Fitch”) or Standard and Poor’s Rating Group (“S&P) or Baa3 by Moody’s Investors Service, Inc. (“Moody’s).
 - Outstanding face value of at least \$500 million.
- D. Exclusions.** To ensure adequate investability, the following bond types are specifically excluded:
- Bonds with an initial term of less than one year.
 - Reg S bonds, 144A bonds, Eurodollar² bonds and EuroMTN bonds.
 - Retail bonds.
 - Floating rate bonds.
 - Zero coupon bonds.
 - Convertible bonds.
 - Bonds cum or ex-warrant.
 - Bonds with one cash flow only.
 - New bonds that have already been called.
 - Bonds that permit issuers to make coupon payments either in cash or in new debt securities (i.e., PIK-toggle bonds).
 - Inflation or other index-linked bonds.
 - Bonds guaranteed by an agency, national or supranational

¹ Western Europe is defined as: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden Switzerland, United Kingdom

² Denoted by ISIN codes beginning with country codes other than “US”

- government (including FDIC or TLGP).
- Perpetual securities (including Trust Preferred).
- Securities for which the Index Provider is unable to, or is prohibited from providing an evaluated price.

2. Initial Target Weights

For each NASDAQ LadderRite USD Corporate Bond Index, allocations as of the inception date are equally weighted across each year of maturity. Within each year of maturity, NASDAQ LadderRite USD Corporate Bond Indexes employ a market value weighting methodology to weight individual positions. Once set, the initial target weights (the “Initial Target Weights”) are free to float due to market actions subject to the reconstitution and rebalancing process set forth below.

REINVESTMENT

1.
 - A. **Coupon Payments.** Market values of coupon payments received by a NASDAQ LadderRite USD Corporate Bond Index are deemed reinvested as of the coupon payment date in 13-week U.S. Treasury Bills until the next rebalancing of the NASDAQ LadderRite USD Corporate Bond Index.
 - B. **Called bonds.** If a bond in a NASDAQ LadderRite USD Corporate Bond Index is called, the proceeds (including any accrued interest paid in connection with the redemption of the bond) are deemed reinvested as of the call date in 13-week U.S. Treasury Bills until the next rebalancing of the NASDAQ LadderRite USD Corporate Bond Index.
 - C. **Matured bonds.** If a bond in a NASDAQ LadderRite USD Corporate Bond Index matures, proceeds are deemed reinvested in 13-week U.S. Treasury until the next rebalancing of the Index.

RECONSTITUTION AND REBALANCING

1. **Monthly Changes.**
 - A. **Monthly Rebalancing.** On a monthly basis, each index employs a proprietary, patent pending rebalancing process that seeks to divest cash equivalents and incorporate any new bonds in the Eligible Universe that qualify for inclusion in such index to create a pro forma index.
 - B. Each month, the pro forma index is then reviewed to ensure that the index weight of each year of maturity is within 20% of its target

- weight.
- C. If the weight of each year of maturity is within tolerances, then the pro forma index becomes the live index as of the end of the rebalancing.
 - D. If the weight of a year of maturity is not within 20% of its target weight, then the index is fully rebalanced to Index Target Weights and the fully rebalanced index becomes the live index as of the month end.
- 2. Rebalancing Timeline.** On the 20th calendar day of the month, or the first business day after the 20th day, the securities which comprise the Eligible Universe for the next period are compiled based on the criteria set forth herein and reviewed by LadderRite Portfolios LLC, subject to a minimum seasoning period of 90 days for new securities. Any changes in the universe after the index cutoff date will be incorporated as of the next rebalancing.
- 3. Other Intra-month Changes.** Securities that are fully or partially redeemed during the month (for example, called bonds or amortizing bonds with fixed schedules) will see their market value adjusted as of the effective date of the redemption and the redemption amount treated as cash until the next rebalance.
- 4. Final Index Membership.** Upcoming changes to the index constituent list will be made publicly available at the close of business three days prior to the month end in which these changes become effective.

INDEX MAINTENANCE

Index construction, securities pricing, and index calculation and dissemination are the responsibility of the Index Provider. The following services are provided by the Index Provider to maintain the indexes in accordance with the index methodology set forth herein.

- 1. Index Construction.** The Index Provider is responsible for gathering securities information for the Eligible Universe and applying the NASDAQ LadderRite USD Corporate Bond Index methodology to create individual indexes.
- 2. Securities Pricing.** The Index Provider is responsible for determining an evaluated price for each security in the NASDAQ LadderRite USD Corporate Bond Indexes.
- 3. Index Calculation and Dissemination.** The Index Provider is responsible for compiling, calculating, maintaining, and disseminating the values of NASDAQ LadderRite USD Corporate Bond Indexes.
- 4. Index Committee.**
 - A. **Role of Committee.** The Index Committee solely maintains the

NASDAQ LadderRite USD Corporate Bond Index methodology and is not involved in any way in the day-to-day maintenance or administration of the index.

- B. **Changes to Methodology.** The Index Committee meets at least once annually to review the NASDAQ LadderRite USD Corporate Bond Index methodology. Any changes to the methodology will be publicly disclosed at www.nasdaqomx.com/indexes at least three (3) business days prior to implementation.