



INDEX METHODOLOGY

## NASDAQ OVERSEAS CHINA NEW ECONOMY COMPANIES TOP 50 INDEX<sup>SM</sup>

### NQCNNEW-

#### INDEX DESCRIPTION

The Nasdaq Overseas China New Economy Companies Top 50 Index is designed to capture the new drivers of the China Economy by measuring the performance of the 50 largest companies from China in certain sectors.

#### SECURITY ELIGIBILITY CRITERIA

##### Eligible security types

Eligible security types include common stocks, ordinary shares, depositary receipts (both American and Global) and depositary shares. If the security is a depositary receipt, references to the “issuer” are references to the issuer of the underlying security.

##### Multiple classes of securities

One security per issuer is permitted. If an issuer has multiple securities, the security with the highest three-month average daily trading value is generally selected for possible inclusion in the index.

##### Eligible exchanges

The security must be listed on the Nasdaq Stock Market, the New York Stock Exchange, NYSE American or the CBOE Exchange; or be included in the Nasdaq Global Index (NQGI) and be listed on the Hong Kong Exchange. China A Shares are excluded.

##### Geographic eligibility

The issuer of the security must be domiciled in China.

### **Industry or sector eligibility**

The security must either be allocated to the Consumer Staples, Consumer Discretionary, Health Care or Technology Industry according to the Industry Classification Benchmark (ICB), a product of FTSE International Limited that is used under license.

### **Market capitalization eligibility**

The issuer of the security must have a market capitalization of at least \$250 million.

### **Liquidity eligibility**

The security must have a three-month average daily trading value of at least \$1 million (measured over the three calendar months ending with the month that includes the Index Reconstitution reference date).

### **Float eligibility criteria**

The security must have a free float of at least 20% of its total shares outstanding.

## **INDEX CALENDAR**

### **Reconstitution schedule**

Nasdaq selects constituents once annually in November.

### **Reconstitution reference dates**

The Security Eligibility Criteria are applied using market data as of the end of October.

### **Reconstitution announcement dates**

Index Reconstitutions are announced in early November.

### **Reconstitution effective dates**

Index Reconstitutions become effective at market open on the trading day after the third Friday in November.

### **Rebalance schedule**

The Index is rebalanced quarterly in February, May, August and November.

## **Rebalance reference dates**

The Index Rebalance uses market data as of the prior month-end (January, April, July and October, respectively).

## **Rebalance announcement dates**

Index Rebalance changes are announced in early February, May, August and November, respectively.

## **Rebalance effective dates**

Index Rebalance changes become effective at market open on the trading day after the third Friday in February, May, August and November, respectively.

# **CONSTITUENT SELECTION**

## **Constituent selection process**

All securities that meet the applicable Security Eligibility Criteria are considered for inclusion in the Index. The 50 eligible securities with the largest issuer market capitalizations are included in the Index.

# **CONSTITUENT WEIGHTING**

## **Constituent weighting scheme**

The Index is a modified market capitalization-weighted index.

## **Constituent weighting process**

NQCNNEW employs a two-stage weight adjustment scheme.

Index Securities' initial weights are determined by dividing each Index Security's market capitalization by the aggregate market capitalization of all Index Securities.

### **Stage 1:**

Initial index weights are adjusted to meet the following Stage 1 constraint, producing the Stage 1 weights:

- No Index Security weight may exceed 8%.

### **Stage 2:**

Stage 1 weights are adjusted to meet the following Stage 2 constraints, producing the final weights:

- For Index Securities with the five largest market capitalizations, Stage 1 weights are maintained.
- For all other Index Securities, no weight may exceed 4%.

The final weights meet the following constraints:

- No Index Security weight may exceed 8% of the index; five may exceed 4%.

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

## INDEX MAINTENANCE

### Deletion policy

If, at any time other than an Index Reconstitution, Nasdaq determines that an Index Security has or will undergo a fundamental alteration that would make it ineligible for Index inclusion, the Index Security is removed as soon as practicable.

Such alterations may include the following:

- A listings switch to an ineligible Index Exchange
- A merger, acquisition or other major corporate event that would otherwise adversely impact the integrity of the Index

### Replacement policy

If, at any time other than an Index Reconstitution, an Index Security is removed from the Index, it is replaced at the next Quarterly Rebalance. The deleted security is replaced by the security with the next largest issuer market capitalization that meets all the Security Eligibility Criteria as determined at the time of the annual reconstitution.

### Corporate actions

In the periods between scheduled index reconstitution and rebalancing 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**.

## **Holiday schedules**

The Index is calculated Monday through Friday and does not close for holidays, as it is a Global Index.

## **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**.

## **Index calculation and dissemination schedule**

The Index is calculated starting by the earliest time zone (Asia/Tokyo) and closes by the latest time zone (America/New York).

## **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**

## **Index governance**

Nasdaq Indexes follow the same governance structure. For a detailed list of this information, please see the **Nasdaq Index Methodology Guide**.

## **Nasdaq Index Management Committee**

A methodology document is created for all new Index Methodologies. The methodology document includes the following: Index Objective, Security Eligibility Criteria, Index Construction, Index Maintenance, Index Governance, Index Policy, and Index Dissemination.

The Nasdaq Index Management Committee approves all new Index Methodologies. This committee is comprised of full-time professional members of Nasdaq. The committee meets regularly, and reviews items including, but not limited to, pending corporate actions that may affect Index constituents, statistics comparing the composition of the indexes to the market, companies that are being considered as candidates for addition to an Index, and any significant market events.

For a detailed overview of the Index Management Committee, please see the **Nasdaq Index Methodology Guide**.

## **Internal reviews of methodology**

For a detailed description on internal reviews of the Methodology, please see the **Nasdaq Index Methodology Guide**.

## **Communication with stakeholders and consultations**

For a detailed description on Consultations and Communications with Stakeholders, please see the **Nasdaq Index Methodology Guide**.

## Index cessation

Nasdaq has a documented procedure that is followed for Index Cessation that includes termination/retirement of an Index or Index Family.

For more information, please refer to the **Nasdaq Index Cessation Policy**.

## Discretionary adjustment

This Index Methodology was created by Nasdaq to achieve the aforementioned objective of measuring the underlying purpose of each Index governed by this methodology document. Any deviations from this methodology are made in the sole judgment and discretion of Nasdaq so that the Index continues to achieve its objective.

For more information on potential adjustments including Calculation and Pricing Disruptions, Expert Judgment, and Unexpected Reconstitution/Rebalances, please refer to the **Nasdaq Index Methodology Guide**.

## GLOSSARY OF TERMS AS USED IN THIS DOCUMENT

See **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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