

Nasdaq Global High Equity Income Index Methodology

Index Description

The Nasdaq Global High Equity Income Index selects stocks from the Nasdaq Global Index based on factors such as liquidity, dividend yield and other quality screens. The Index is comprised of six sub-portfolios, each of which is rebalanced and reconstituted semi-annually.

Index Calculation

The Nasdaq Global High Equity Income 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 Price¹, 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 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 January 20, 2016 at a base value of 1000.00.

The formula for index value is as follows:

Aggregate Adjusted Market Value/Divisor

The formula for the divisor is as follows:

(Market Value after Adjustments/Market Value before Adjustments) X Divisor before Adjustments

Three versions of the Index are calculated in USD, GBP and EUR, as shown in [Appendix A](#).

- The price return index is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index reinvests cash dividends on the ex-date.
- The net total return index reinvests cash dividends on the ex-date based on the securities incorporation withholding rate.

All Indexes reflect extraordinary cash distributions.

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.

The Indexes are calculated during the trading day and are disseminated once per second. The Indexes are calculated five (5) days a week, Monday through Friday, during D European and American hours.

Eligibility

Index eligibility is limited to specific security types only. The security types eligible for the Index include common stocks, and shares of beneficial interest of REITs.

Eligibility Criteria

To be eligible for inclusion in a sub-portfolio of the Nasdaq Global High Equity Income Index, a security must first meet the following criteria:

- be a member of the Nasdaq Global Index (NQGI) excluding mortgage REITs;
- have a five-day rolling average daily dollar trading volume over each of the last 60 trading days greater than \$2,500,000;
- be a top 2000 stock as measured by market capitalization of the stocks that pass the average daily dollar trading volume screen;
- have a minimum trailing 12 month dividend yield greater than 1.5 times the median yield of the dividend paying universe from the above criteria; and
- have positive dividend growth over the last three years or have initiated a dividend;

The following quality screens are applied to the remaining securities, which passed the above Eligibility Criteria:

- exclude stocks in the bottom quintile by return on assets;
- exclude stocks with long term debt to assets greater than 75%;
- exclude stocks with a three-year dividend payout ratio greater than 90%;
- exclude stocks with negative free cash flow; and
- one security per issuer is permitted.

The securities that pass the above screens are selected for inclusion in the sub-portfolio and are weighted by "net income minus dividends paid" or "plowback", subject to a maximum weight of 3% for developed stocks and 1% for emerging stocks. If not enough stocks remain for a sub-portfolio, set the minimum yield threshold to 1.25 times the median yield of the dividend paying universe, confirm the final criterion for inclusion in a sub-portfolio (have positive dividend growth over the last three years or have initiated a dividend) and re-run each of the above quality screens.

Sub-Portfolio Evaluation

The Index is divided into six separate sub-portfolios, each of which receives 16.67% of the total Index weight. Each sub-portfolio is rebalanced and reconstituted semi-annually. The sub-portfolios are returned to their ideal weights of 16.67% once a year in December.

The sub-portfolio rebalances have the following schedule:

Rebalance Months:

Sub-Portfolio A	January	July
Sub-Portfolio B	February	August
Sub-Portfolio C	March	September
Sub-Portfolio D	April	October
Sub-Portfolio E	May	November
Sub-Portfolio F	June	December

Rebalancing and selection of the relevant sub-portfolio takes place nine business days prior to the last Thursday before the last Friday of the month, utilizing end-of-day market data from that day.

Index Evaluation

The Index is evaluated monthly. Security additions and deletions are made effective at the market open on the Thursday before the last Friday of the month. If Thursday is a holiday, additions and deletions are made effective on the next business day of the month. Each monthly evaluation is applicable only to the relevant sub-portfolio as outlined in the schedule in the previous section. The other five sub-portfolios are not evaluated or rebalanced. December is the sole exception, when the December sub-portfolio is fully reconstituted and the other five sub-portfolios are returned to their ideal 16.67% weight.

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 longer being Index eligible, the security is removed from the Index and is not replaced. 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 month, 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.

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 corresponding adjustment will be made to the Index Shares of the security 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 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.

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

Appendix A

Symbol	Index Name	Base Date
NQGIHEI NQGIHEIT NQGIHEIN	Nasdaq Global High Equity Income Index Nasdaq Global High Equity Income Total Return Index Nasdaq Global High Equity Income Net Total Return Index	1/20/2016
NQGIHEIGBP NQGIHEIGBPT NQGIHEIGBPN	Nasdaq Global High Equity Income GBP Index Nasdaq Global High Equity Income GBP Total Return Index Nasdaq Global High Equity Income GBP Net Total Return Index	1/20/2016
NQGIHEIEUR NQGIHEIEURT NQGIHEIEURN	Nasdaq Global High Equity Income EUR Index Nasdaq Global High Equity Income EUR Total Return Index Nasdaq Global High Equity Income EUR Net Total Return Index	1/20/2016

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