

# NASDAQ Global Risk Managed Income Index<sup>SM</sup> Methodology

## Index Description

The NASDAQ Global Risk Managed Income Index is a rules-based, quantitatively enabled index which is designed to provide risk managed, globally diversified exposure to income generating asset classes to produce a high yield for the risk taken. The index consists of liquid, income-bearing exchange-traded funds (“**ETFs**”) and other exchange traded products across various asset classes to gain the diversified, risk managed exposure.

## Index Calculation

The NASDAQ Global Risk Managed 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 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 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 June 30, 2014 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

Four versions of the Index are calculated – a price return index and a total return index and a price and total return version in Canadian Dollars

- The price return index in USD (Nasdaq: NQGRMI) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index in USD (Nasdaq: NQGRMIT) reinvests cash dividends on the ex-date.
- The price return index in CAD (Nasdaq: NQGRMIC) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index in CAD (Nasdaq: NQGRMITC) reinvests cash dividends on the ex-date.

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<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 Index Market, the Last Sale Price may be the Nasdaq Official Closing Price (NOCP) when Nasdaq is closed.

All Indexes reflect extraordinary cash distributions.

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 starting by the earliest time zone Asia/Tokyo and close by the latest time zone America/New York.

## **Eligibility**

Index eligibility is limited to specific security types only. The security types eligible for the Index are exchange-traded funds.

## **Eligibility Criteria**

To be eligible for inclusion in the NASDAQ Global Risk Managed Income Indexes, the exchange traded-fund must meet the following criteria:

- be listed on the Toronto Stock Exchange;
- be an equity or fixed income exchange-traded fund (ETF);
- have at least \$50 million in assets under management;

## **Index Evaluation**

The Index Securities are evaluated on a periodic basis based on Newfound's quantitative investment strategies and are evaluated based on fit, fund size, cost, performance and volatility. Each Index Security is evaluated by Newfound's proprietary, dynamic and volatility-adjusted momentum model to measure the rate of acceleration of each security's price along with each Index Security's yield, which is measured against its respective risk profile. Index Securities with a higher yield-to-risk profile and positive price momentum are weighted more heavily within the Index.

Security additions and deletions can be made effective after the close of trading on any Wednesday based upon the closing price three trading days prior to the day that the security additions and deletions become effective.

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 continued inclusion in the Index, 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 outside of the periodic rebalances 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.

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 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 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 weighted methodology such that each security's Index market value is rebalanced on a periodic basis, in conjunction with the Index Evaluation, to a modified value based on the quantitative investment strategy. Index Shares are calculated by taking each security's weight multiplied by an index value of \$4 billion and dividing it by the closing price.

If at any time, the exchange-traded securities within the Index are in aggregate more than 50% in weight from a single ETF issuing company; replacement ETFs with identical investment exposure will be utilized to reduce the weight. No single Index Security will have a weight greater than 25%.

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

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