

# NASDAQ IBIS Focused Growth Index<sup>SM</sup> Methodology

## Index Description

The NASDAQ IBIS Focused Growth Index utilizes IBIS' Quantitative Tactical Global Rotation Strategy. The Index will invest in exchange-traded funds covering the Large Cap US equities, Small Cap U.S. Equities, Developed Market Equities, and Emerging Market Equities. The selection of assets is determined through a proprietary technology for Relative Strength. During periods of weakness across global equity markets, the Index will shift into either short-term, medium-term, or long-term U.S. government bonds, depending upon prevailing interest rates. The Index attempts to yield absolute returns (i.e. produce positive returns over a 12 month period).

## Index Calculation

The NASDAQ IBIS Focused Growth Index is an equal-dollar 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 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 Index reporting purposes. The Index began on February 10, 2014 at a base value of 1000.00.

The formula for index value is as follows:

$$\text{Aggregate Adjusted Market Value/Divisor}$$

The formula for the divisor is as follows:

$$(\text{Market Value after Adjustments/Market Value before Adjustments}) \times \text{Divisor before Adjustments}$$

Two versions of the Index are calculated – a price return index and a total return index.

- The price return index (NASDAQ: NQIBIS) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index (NASDAQ: NQIBIST) reinvests cash dividends on the ex-date.

Both Indexes reflect extraordinary cash distributions.

The Indexes are calculated and disseminated once per second from 09:30:01 to 17:16:00 Eastern Time (ET) in USD. The closing value of the Indexes may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

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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 OMX 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.

## **Eligibility**

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

## **Eligibility Criteria**

To be eligible for inclusion in the Index, the exchange-traded fund must meet the following criteria:

- be an exchange-traded fund designed to cover specific segments of the investable market including but not limited to US Large Cap Equities, US Small Cap Equities, International Developed Market Equity, Emerging Market Equities, US 7-10 Year Treasuries or US 20+ Year Treasuries;
- have at least \$100 million in assets under management; and
- have at least \$500 thousand in three month average daily dollar trading volume.

## **Index Evaluation**

The Index is evaluated periodically. All securities in the universe utilize IBIS's quantitative investment strategy. Securities meeting the above eligibility criteria are included in the Index. Security additions and deletions are made periodically and will become effective after the close of trading on the last trading day of the month.

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 will be replaced with the next eligible security. 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 OMX'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 evaluation and rebalancing, 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 for the special amount distributed and a corresponding adjustment to the Index Shares of an Index Security prior to market open on the ex-date 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.

Whenever there is a change in an Index Security as noted 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 an equal-dollar weighting methodology such that each security's Index market value is rebalanced at a periodic basis to an equal-dollar value corresponding to an equal percent weight of the Index's aggregate market value. Index Shares are calculated by dividing this equal-dollar value for each Index Security by the corresponding last sale price of the security at the close of trading on the last trading day of the month. The changes are made periodically, in conjunction with the Index Evaluation, and will become effective after the close of trading on the last trading day of the month.

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

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