

Nasdaq US Price Setters IndexSM Methodology

Index Description

The Nasdaq US Price Setters Index is designed to provide exposure to US companies within the Nasdaq US Large Mid Cap Index which exhibit high degrees of pricing power. The universe of securities is screened by a series of quantitative and qualitative factors. The top ranked securities are then selected and a proprietary weighting methodology is applied.

Index Calculation

The Nasdaq US Price Setters Index is a modified 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 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. The Index began on January 19, 2016 at a base value of 1000.

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:

- The price return index (Nasdaq: NQPRCE) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index (Nasdaq: NQPRCET) reinvests cash dividends on the ex-date.
- The net total return index (Nasdaq: NQPRCEN) reinvests cash dividends on the ex-date based on an Index security's country of incorporation withholding rate.

Both Indexes reflect extraordinary cash distributions.

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

Eligibility

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

¹ For purposes of this document, Last Sale Price refers to the following:

For a security listed on NASDAQ, it is the last sale price on Nasdaq, which normally would be the Nasdaq Official Closing Price (NOCP) when Nasdaq is closed. For any NYSE-listed or NYSE Amex-listed security, it is the last regular way trade reported on such security's primary U.S. listing market. If a security does not trade on its primary listing market on a given day, the most recent last sale price from the primary listing market (adjusted for corporate actions, if any) is used.

Eligibility Criteria

To be eligible for inclusion in the Index, a security must meet the following criteria:

- be a component of the Nasdaq US Large Mid Cap Index (NQUSBLM);
- top 550 names by market capitalization; and
- additional proprietary eligibility are applied.

Ranking Review

Rank the below 11 factors individually across the universe of securities that pass the aforementioned eligibility criteria.

#	Factor
1	EPS Growth 1Y
2	EPS Growth 3Y
3	Operating Margin
4	Operating Margin Growth 1Y
5	12 months Return Volatility
6	Sales Growth 3Y
7	Return on Equity
8	The Coefficient of Variation (CV) of 7Y EPS
9	Earning Quality
10	The Standard Deviation of 7Y Operating Margin
11	The Coefficient of Variation of 2 nd Fiscal Year EPS Estimate

The average of the 11 factor scores is taken to create one score in a scale of 1 to 10 (1 = best). Then, create a final rank based upon the average score of each security with full market cap as the value that determines the outcome if there is a tie. Lastly, the top 150 securities by final rank are selected.

Index Evaluation

The Index is evaluated annually in March. The above Eligibility Criteria are applied using market data through the end of December. Securities meeting the criteria are included in the Index. Security additions and deletions are made effective after the close of trading on the third Friday in March.

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 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 during the quarter 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. However, for a spin-off event, if there is a no when-issued trading available for the spin-co security, the spin-co security may be added to the index at a zero value. In this case, the spin-co security will be removed from the Index after two full days of trading.

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.

Index Weighting

The Index employs a modified equal dollar weighting methodology such that securities in the top 50 by rank receive 50% of the index weight, the top 51-100 receive 35% of the index weight and the top 101-150 receive 15% of the index weight. Each security's Index market value is rebalanced in March to an equal dollar value corresponding to an equal percent weight within each bucket of 50 securities with the aggregate market value of the Index totaling the unadjusted market value of the eligible securities. In short, the top 50 names receive a weight of 1% each, the following 51-100 securities receive a weight of 0.7% each and the following 101-150 securities receive a weight of 0.3% each.

The weighting methodology is applied to the capitalization of each Index Security, using the Last Sale Price of the security at the close of trading on the last trading day in February. Index Shares are then calculated multiplying the weight of the security derived above by the new market value of the Index and dividing the modified market capitalization for each Index Security by its corresponding Last Sale Price. The changes are effective after the close of trading on the third Friday in March.

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

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