

ISE High Income Index™ Methodology

Index Description

The ISE High Income Index is designed to track the returns and income of the top 30 U.S listed Closed-End Funds.

Index Calculation

The ISE High Income Index is a modified linear 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 Index 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 December 31, 2003 with a base value of 100.00.

The formula for index value is as follows:

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

The formula for the divisor is as follows:

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

Three versions of the Index are calculated:

- The price return index (Nasdaq: YLDA) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return Index (Nasdaq: YLDATR) reinvests cash dividends on the ex-date.
- The net total return index (Nasdaq: YLDANTR) reinvests cash dividends on the ex-date and adjusts for an Index Security's country of incorporation withholding rate. The net total return index began on February 6, 2017 at a base value of 150.

The Indexes are calculated and disseminated once per second from 9:30:01 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.

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.

Eligibility

Index eligibility is limited to specific security types only. It must be a closed-end fund and not an operating company, exchange-traded fund (ETF), holding company, commodity pool, or Real Estate Investment Trust (REIT).

Eligibility Criteria

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

- be listed on The Nasdaq Stock Market® (Nasdaq®), the New York Stock Exchange, NYSE American, or the CBOE Exchange;
- a minimum market capitalization of \$500 million; and
- a daily six month average traded value of at least \$1 million.

Stock Selection

Securities meeting the criteria are then evaluated as followed:

1. Rank each fund by the following criteria:
 - i. Fund yield (descending)
 - ii. Fund share price Premium / Discount to Net Asset Value (ascending)
 - iii. Fund Average Daily Value (ADV) of shares traded (descending)

2. Calculate an overall rank for each fund using the following calculation:

$$R_i = (R_{Yld} \times 0.50) + (R_{PD} \times 0.25) + (R_{ADV} \times 0.25)$$

where:

R_i = Rank of each component

R_{Yld} = Rank of Fund Yield

R_{PD} = Rank of Fund Premium / Discount

R_{ADV} = Rank of Fund Average Daily Value of Shares Traded

3. Sort all funds (ascending) on overall rank and select the top 30 names.
4. Adjust each component's weighting to a multiple of the weighting of the smallest component using the following equation:

$$W_i = \frac{|CR_i - (n + 1)|}{\sum_{i=1} (CR_i)}$$

where:

W_i = Weight of each component

CR_i = Component rank

n = Number of components

5. If component weight is greater than 4.25% then that weight is adjusted to be no more than 4.25%.

6. Set liquidity thresholds:
 - a. Calculate six month average daily value traded (in USD) for each component based on daily closing price and number of shares traded
 - b. Set percentage of six month average daily value traded threshold to 100%
 - c. Set investment threshold to \$10 million
7. Determine component percentage of average daily value traded given the investment threshold and the calculated weight of the component using the following equation:

$$ADV_{\%i} = \frac{W_i \times \$10,000,000}{ADV_{\$i}}$$

where:

W_i = Weight of each component

$ADV_{\%i}$ = Percentage of six month average daily value traded for component i

$ADV_{\$i}$ = Six month average daily dollar value traded for component i

8. If component percentage of average daily value traded is less than the percentage average daily value traded threshold then that weight does not need to be adjusted.
9. If component percentage of average daily value traded is greater than the percentage average daily value traded threshold then assign new component weight such that percentage of average daily value traded is equal to the percentage average daily value traded threshold using the following steps:

- a. Calculate component weight based on the investment threshold and six month average daily value traded threshold using the follow equation:

$$W'_i = \frac{ADV_{\$i}}{\$10,000,000}$$

where:

W'_i = Modified weight of each component

$ADV_{\$i}$ = Six month average daily dollar value traded for component i

- b. Take the aggregate difference between the initial and adjusted weights of those components where percentage of average daily value traded is greater than percentage average daily value traded threshold and distribute evenly among stocks where percentage of average daily value traded is less than percentage average daily value traded threshold using the following equations:

$$W_{adj} = \frac{\sum_{i=1} (W_i - W'_i)}{n'}$$

where:

W_i = Initial weight of each component with percentage of average daily value traded is greater than percentage average daily value traded threshold

W'_i = Modified weight of each component percentage of average daily value traded is greater than percentage average daily value traded threshold

W_{adj} = Adjustment for index weight of component i where the percentage of six month average daily value traded is less than the six month average daily value traded threshold

n' = Number of components with percentage of six month average daily value traded less than the six month average daily value traded threshold

- c. Adjust weight of components with percentage of six month average daily value traded less than the six month average daily value traded threshold using the following equation:

$$W''_i = W_i + W_{adj}$$

where:

W_i = Weight of each component with percentage of six month average daily value traded less than the six month average daily value traded threshold

W''_i = Modified weight of each component with percentage of six month average daily value traded less than the six month average daily value traded threshold

W_{adj} = Adjustment for index weight of component i where the percentage of six month average daily value traded is less than the six month average daily value traded threshold

- d. If a component's weight is increased from below 4.25% to 4.25% or greater, then that component's weight shall be set at 4.25%

10. Repeat steps 8 through 11 until all component percentage of average daily value traded is less than or equal to the percentage average daily value traded threshold

Note that while the Index seeks to have thirty (30) components that number should be considered a maximum limit and not a fixed target.

No single component stock represents more than 24% of the weight of the index, and the cumulative weight of all components with an individual weight of 5% or greater do not in the aggregate account for more than 50% of the weight of the index. This particular requirement will be satisfied at the conclusion of the Index annual rebalance period.

Index Evaluation

The Index is evaluated in December. The index follows a “rolling” rebalance schedule in which one third of security changes are applied at the close of trading on every first, second and third trading days in January of the subsequent year and the change becomes operational at the opening on the second, third and fourth trading day of the new year, in that order.

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. In the case of mergers and acquisitions, the Index Security may be removed the day following the shareholder vote or the expected expiration of the tender offer, provided the acquisition is not contested. In the event the acquisition is contested then the deletion will occur as soon as reasonably practicable, once results have been received that indicate the acquisition will likely be successful. 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. Additionally, 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 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.

Unscheduled component weight adjustments may occur between review periods if any component accounts for more than 24% of the index weight. The market capitalization of any component representing more than 24% of the index weight will be adjusted such that its new weight is no more than 20%. Even though the weighting limit is 30% for a single component, all components accounting for over 24% of the index market value are adjusted to 20% to avoid future unscheduled rebalancing events.

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

September 2018