



## INDEX METHODOLOGY

# NASDAQ-100 SELECT EQUAL WEIGHT™ INDEX

## NDXSE™

### INDEX DESCRIPTION

The Nasdaq-100 Select Equal Weight Index is designed to track the performance of the 50 companies from the Nasdaq-100 Index® (NDX®) with the highest combined Blended Quality and Growth scores. The Index applies an equal-weighted methodology.

### SECURITY ELIGIBILITY CRITERIA

To qualify for index inclusion, securities must meet the following Security Eligibility Criteria, which are applied as of the Reconstitution reference date, unless stated otherwise.

#### Security universe

A security must be included in the Nasdaq-100 Index® (NDX®) as of the Reconstitution effective date. Please refer to the NDX® methodology for further information.

#### Multiple classes of securities

Multiple classes of securities issued by the same company are each eligible, subject to meeting all other Security Eligibility Criteria.

#### Other eligibility criteria

If, at reconstitution, Nasdaq becomes aware that an issuer or security will soon undergo a fundamental change that makes it ineligible, Nasdaq will generally remove the security from consideration. This includes entering into a definitive merger or acquisition agreement or other pending arrangement that would make it ineligible for Index inclusion, or a filing of bankruptcy or similar protection from creditors, or other events as described in Section 3 of **Corporate Actions and Events Manual – Equities**.

## CONSTITUENT SELECTION

### Constituent selection process

An Index Reconstitution is conducted quarterly based on the Reconstitution reference date.

Securities meeting all applicable *Security Eligibility Criteria* are considered for inclusion in the Index.

A Blended Quality and Growth Score is calculated for each security and is a composite of quality and growth metrics including 3-year revenue annualized growth, 3-year forward earnings per share estimate annualized growth, 3-year free cash flow annualized growth, return on equity, and profit margin.

The raw data used to calculate these metrics are assigned a null value if they are negative. For instances when metrics are null, not available, or infinite, the minimum value across the eligible universe, for a given measure, is assigned.

All metrics used to calculate the scores are normalized using the following formula:

$$\frac{x_i - \text{Min}(x) + 1}{\text{Max}(x) - \text{Min}(x) + 1}$$

where:

- $x_i$  =  $i^{\text{th}}$  value in a metric  $\{x_1, x_2, \dots, x_N\}$
- $i = 1$  to  $N$
- $N$  = Number of securities of the base universe

Index constituents are selected according to the following steps.

#### I. Calculation of Growth Scores

The Growth Score for each security is calculated by taking the simple average across the following three metrics, after they are normalized.

- **3-Year Revenue Annualized Growth Rate.** The company's latest trailing 12-month revenue divided by the company's 12-month revenue as of 3 years ago (36 months before). The growth rate is then annualized.

$$\text{3Y Revenue Annualized Growth Rate} = \left( \text{Revenue}_Y / \text{Revenue}_{Y-3} \right)^{1/3} - 1$$

- **3-Year Forward Earnings Per Share ("Forward EPS") Estimate Annualized Growth Rate.** This is calculated as a security's 3-year Forward EPS estimate divided by the company's trailing 12-month Earnings Per Share ("EPS"). The growth rate is then annualized.

$$\text{3Y Forward EPS Estimate Annualized Growth Rate} = \left( \text{Forward EPS}_{Y+3} / \text{EPS}_Y \right)^{1/3} - 1$$

- a. For securities without a Forward EPS 3-year value the Forward EPS 2-year value is utilized. If both the Forward EPS 3-year and Forward EPS 2-year values are not available, the

Forward EPS 1-year value is utilized. The growth rate is annualized based on the available Forward EPS value utilized in the calculation.

- **3-Year Free Cash Flow (“FCF”) Annualized Growth Rate.** The company’s latest trailing 12-month FCF divided by the company’s 12-month FCF as of 3 years ago (36 months before). The growth rate is then annualized.

$$3Y \text{ FCF Annualized Growth Rate} = \left( FCF_Y / FCF_{Y-3} \right)^{1/3} - 1$$

## II. Calculation of Quality Scores

The Quality Score for each security is calculated by taking the simple average across the following two metrics, after they are normalized:

- **Return on Equity (ROE).** This is calculated as the company’s latest trailing 12-month net income divided by its latest shareholder’s equity.

$$ROE = \text{Net Income} / \text{Shareholder's Equity}$$

- **Profit Margin.** This is calculated as the company’s latest trailing 12-month gross profit divided by the company’s latest trailing 12-month revenue.

$$\text{Profit Margin} = (\text{Revenue} - \text{Cost of Goods Sold}) / \text{Revenue}$$

## III. Calculation of Blended Quality and Growth Scores

The Blended Quality and Growth Score for each security is calculated as the equal-weighted average of each security’s Growth Score and Quality Score.

## IV. Ranking and Index Selection

Securities are grouped at a company level. Companies represented by multiple securities utilize the highest Blended Quality and Growth Score among its eligible securities. Companies are ranked by their Blended Quality and Growth Scores and all eligible securities of the top 50 companies with the highest scores are selected for Index inclusion.

# CONSTITUENT WEIGHTING

## Constituent weighting scheme

The Index is an equal-weighted index.

## Constituent weighting process

The Index is rebalanced quarterly such that all companies within the Index are assigned an equal Index market value. For companies represented by multiple securities, those company Index market values are equally apportioned across their respective Index Securities.

For additional information about index weighting, see **Nasdaq Index Weight Calculations**.

## INDEX CALENDAR

### Reconstitution & Rebalancing schedule

| <b>Reconstitution Frequency</b>          | Quarterly                                                                                                                |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| <b>Rebalance Frequency</b>               | Quarterly                                                                                                                |
| <b>Reconstitution Reference Dates</b>    | Last trading day of February, May, August, and November, respectively                                                    |
| <b>Reconstitution Announcement Dates</b> | After the close on the sixth trading day prior to the Reconstitution effective dates                                     |
| <b>Reconstitution Effective Dates</b>    | At market open on the first trading day following the third Friday in March, June, September, and December, respectively |
| <b>Rebalance Reference Dates</b>         | As of the close of trading on the third Friday in March, June, September and December                                    |
| <b>Rebalance Announcement Dates</b>      | After the close on the sixth trading day prior to the Rebalance effective dates                                          |
| <b>Rebalance Effective Dates</b>         | At market open on the first trading day following the third Friday in March, June, September, and December, respectively |

### Holiday schedules

The Indexes are calculated Monday through Friday, except on days when the US markets are closed.

### Index calculation and dissemination schedule

Index Values are made available on each trading day via the Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaqomx.com/>. Where applicable, Index values are available throughout the trading day.

## INDEX MAINTENANCE

### Deletion policy

If, at any time other than an Index Reconstitution, Nasdaq becomes aware that an Index Security has become ineligible for continued inclusion, it is removed from the Index as soon as practicable. This includes events such as filing for bankruptcy or similar protection from creditors, delisting or other arrangement including mergers and acquisitions. Refer to the **Corporate Actions and Events Manual – Equities** for further information.

### Replacement policy

Index securities deleted at any time during the year other than the Index Reconstitution(s) are not replaced.

### Corporate actions

In the interim periods between scheduled index reconstitution and rebalancing events, individual Index securities may be the subject to a variety of corporate actions and events that require maintenance and adjustments to the Index. The specific treatment of each type of corporate action or event is described in **Nasdaq Corporate Actions and Events Manual – Equities**, which is incorporated herein by reference.

In certain cases, corporate actions and events are handled according to the weighting scheme or other index construction techniques employed. Wherever alternate methods are described, the Index will follow the “Non-Market Cap Corporate Action Method.”

### Index share adjustments

Other than as a direct result of corporate actions, the Index does not normally experience share adjustments between scheduled Index rebalance and reconstitution events.

## ADDITIONAL INFORMATION

### Announcements

Nasdaq announces Index-related information via the Nasdaq Global Index Watch (GIW) website at <http://indexes.nasdaqomx.com>.

For more information on the general Index Announcement procedures, please refer to the **Nasdaq Index Methodology Guide**.

### Unexpected market closures

For information on Unexpected Market Closures, please refer to the **Nasdaq Index Methodology Guide**.

## Calculation types

For information on the Index calculation types as well as the mathematical approach used to calculate the Index(es), please refer to the **Nasdaq Index Policies & Procedures: Calculation Manual – Equities & Commodities**.

## Recalculation and restatement policy

For information on the Recalculation and Restatement Policy, please refer to the **Nasdaq Index Recalculation Policy**.

## Data sources

For information on data sources and the classification of dividends and associated tax rates, please refer to the **Nasdaq Index Methodology Guide**.

## Contact information

For any questions regarding an Index, please contact the Nasdaq Index Client Services team at [indexservices@nasdaq.com](mailto:indexservices@nasdaq.com).

## Index dissemination

Index values and weightings information are available through Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaqomx.com/> as well as the Nasdaq Global Index FlexFile Delivery Service (GIFFD) and Global Index Dissemination Services (GIDS). Similar to the GIDS offerings, Genium Consolidated Feed (GCF) provides real-time Index values and weightings for the Nordic Indexes.

For more detailed information regarding Index Dissemination, see the **Nasdaq Index Methodology Guide**.

## Website

For further information, please refer to Nasdaq GIW website at <https://indexes.nasdaqomx.com/>.

## FTP and dissemination service

Index values and weightings are available via FTP on the Nasdaq Global Indexes FlexFile Delivery Service (GIFFD). Index values are available via Nasdaq's Global Index Dissemination Services (GIDS).

## GOVERNANCE

All Nasdaq Indexes are managed by the governance committee structure and have transparent governance, oversight, and accountability procedures for the index determination process. For further

details on the Index Methodology and Governance overlay, refer to the **Nasdaq Index Methodology Guide**.

## GLOSSARY OF TERMS AS USED IN THIS DOCUMENT

For the glossary of key terms, refer to the **Nasdaq Index Methodology Guide**.

## DISCLAIMER

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity, including but not limited to, quantitative inclusion criteria. Nasdaq may also, due to special circumstances, if deemed essential, apply discretionary adjustments to ensure and maintain the high quality of the index construction and calculation. Nasdaq does not guarantee that any Index accurately reflects future market performance.

Neither Nasdaq, Inc., its third-party providers, nor any of their respective affiliates (collectively "Corporations") make any recommendation to buy or sell any security or any representation about the financial condition of any company. Investors should undertake their own due diligence and carefully evaluate companies before investing. The information contained herein is provided for informational and educational purposes only, and nothing contained herein should be construed as investment advice, either on behalf of a particular security or an overall investment strategy. **ADVICE FROM A SECURITIES PROFESSIONAL IS STRONGLY ADVISED.**