



NASDAQ-100 Index Special Rebalance FAQs

Q: What will happen to the NASDAQ-100 Index?

A: The NASDAQ-100 Index, one of the world's most widely-followed indexes, will undergo a Special Rebalance. As a result, the weights of the Index Securities will be closer in line with their actual market capitalizations.

The methodology used to calculate the NASDAQ-100 Index will not change nor will the Index Securities.

Q: Why will the NASDAQ OMX Global Index Group enact a Special Rebalance of the NASDAQ-100 Index?

A: The decision reflects our commitment to ensure the NASDAQ-100 Index remains one of the most widely watched indexes in the world and the single best barometer for the performance of U.S. large-cap growth.

The Special Rebalance will bring the weights of the Index Securities closer in line with their actual market capitalizations.

NASDAQ OMX performed extensive research into the rebalancing concept on the NASDAQ-100 Index in early 2010 because weights of Index Securities were no longer closely proportioned to the weights as determined by respective actual market capitalizations and continued to diverge.

Q: What is a Special Rebalance?

A: A Special Rebalance is any rebalance performed outside a required rebalance per our Index Methodology.

On a quarterly basis coinciding with the quarterly scheduled Index Share adjustment procedures, the Index will be rebalanced if it is determined that: (1) the current weight of the single largest market capitalization Index Security is greater than 24.0% and (2) the "collective weight" of those Index Securities whose individual current weights are in excess of 4.5%, when added together, exceed 48.0% of the Index. If either one or both of these weight distribution requirements are met upon quarterly review, a weight rebalancing will be performed.

In addition, a Special Rebalance of the Index may be conducted at any time if it is determined necessary to maintain the integrity of the Index.

For more information about the methodology, visit https://indexes.nasdaqomx.com/docs/methodology_NDX.pdf.

Q: When will the Special Rebalance occur?

A: The rebalance will become effective prior to market open on May 2, 2011 and will be based on the shares outstanding of the Index Securities as of March 31, 2011, except for Alexion Pharmaceuticals, Inc. (NASDAQ:ALXN), which became a component of the Index on April 4, 2011.

Q: How will the methodology of the NASDAQ-100 Index be modified?

A: The methodology used to calculate the NASDAQ-100 Index will not change nor will the Index Securities.

The methodology is based on testing the components for compliance with certain thresholds and is remaining in place.

The weightings of the Index components will be adjusted using a proprietary algorithm whenever (1) any individual component security represents more than 24% of the total market value of the index, and/or (2) the combined weight of all securities having individual weightings of at least 4.5% exceeds 48% of the total market value of the Index.

The Special Rebalance will be based on on the Index Securities and shares currently in the Index as of March 31, 2011, except for Alexion Pharmaceuticals, Inc. (NASDAQ:ALXN), which became a component of the Index on April 4, 2011.

Q: How will the Special Rebalance impact the NASDAQ-100 Index?

A: Every Index Security will have an increase or reduction in weight. The average change in weight will be small.

We have performed research to determine the historical impact had the Index never been adjusted in 1998. The results show that even without the weighting adjustments, the NASDAQ-100 Index still would have been among the best-performing large-cap U.S. equity indexes. A comparison of the NASDAQ-100 Index, a modified-market capitalization index, to a theoretical market capitalization version, shows an extremely high correlation of more than 99%.

Although the weights will be adjusted in this Special Rebalance, the NASDAQ-100 Index will remain an objective, transparent and rules-based Index. As always, The NASDAQ-100's Index Securities — and their weightings — will ultimately be decided by investors.

Q: How will the characteristics of the NASDAQ-100 Index be affected by the Special Rebalance?

A: The underlying characteristics of the Index will not change. The sector weights will remain in the same relative order and magnitude. In addition, historical analysis has shown similar Sharpe Ratios and Volatility between the two versions.

Q: What will be the benefits of the Special Rebalance?

A: The Special Rebalance will bring the weights of the Index Securities closer in line with their actual market capitalizations.

The Special Rebalance will continue the transparent, replicable methodology of the NASDAQ-100 Index that has been used since 1998. NASDAQ OMX believes the Special Rebalance will provide investors, institutions, and others an even better benchmark for U.S. large-cap growth stocks.

Q: What expected impact will the change have on trading of NASDAQ-100 Index securities?

A: The change in shares outstanding held by the investment vehicles will be marginal for most companies, regardless of buying or selling. The average transaction per \$1 billion held will be approximately 95 thousand shares on an absolute value basis and the median will be 26 thousand shares. The total transaction size per \$1 billion is estimated to be 9.5 million shares. The average impact of the Special Rebalance trade is .94% of an Index Security's three month average daily trading volume.

Q: How will the public access the new weightings data?

A: NASDAQ OMX will provide free access to the initial Index Shares of each Index Security in the NASDAQ-100 Index on its website at nasdaqomx.com/indexes/NASDAQ-100, as a result of the Special Rebalance. NASDAQ OMX will also distribute the changes in shares and weights to data vendors, news outlets, and others by request.

After this initial distribution of data, NASDAQ-100 Index weightings data will be accessible via Global Index Watch, which provides essential historical index data for all NASDAQ OMX indexes (except NASDAQ OMX's Nordic equity indexes) via an easy-to-use web interface. Global Index Watch tracks daily changes to the composition and weighting of NASDAQ OMX indexes, reports advanced notice of corporate actions, and maintains a historical record of the values, composition, weighting and divisors indexes and more. To promote widespread distribution of the data, NASDAQ OMX has combined its indexes and ETF valuation data into a single data entitlement for market data distributors. For more information, visit <https://indexes.nasdaqomx.com/IndexWatch.aspx>.

Q: Why did you change The NASDAQ-100 Index's methodology in 1998 from a straight market capitalization to a modified market capitalization methodology?

A: The modified market cap methodology allowed for the creation of the NASDAQ-100 Index Tracking Stock (QQQ) in 1999 and subsequently hundreds of other NASDAQ-branded and asset-based financial products. To preserve their tax status, funds must be diverse and can't have more than 25% of their assets in one company. To comply with the Regulated Investment Company Act (RIC), which governs the tax status of funds, NASDAQ implemented a modified market cap methodology so that the weighting of any single security could not exceed 24%.

The NASDAQ-100 Index has been extremely successful in supporting financial products and is currently the benchmark for more than 2,900 NASDAQ-branded financial products that trade in 27 countries — a dramatic increase from a handful in one country (the U.S.) in 1998.