



INDEX METHODOLOGY

THE SMID GROWTH STRENGTH™ INDEX

NQCAPSGSM™

INDEX DESCRIPTION

The SMID Growth Strength Index (NQCAPSGSM) seeks to provide exposure to well-capitalized small and mid-sized companies with strong market positions. The companies are screened for strong balance sheets, a high degree of liquidity, the ability to generate earnings growth and a record of financial strength and profit growth. The Index is composed of 100 securities selected objectively based on cash on hand, debt ratios, revenue growth and cash flow growth.

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.

Security universe

A security must be included in either the Nasdaq US Small Cap Index (NQUSS) or the Nasdaq US Mid Cap Index (NQUSM). Please refer to the NQUSS & NQUSM methodologies for further information.

Multiple classes of securities

One security per company is permitted. If a company has multiple otherwise-eligible securities, only the security with the highest three-month average daily value traded (ADVT) may be eligible.

Seasoning

A security must have at least four years of trade data.

For example, to be considered for inclusion at the October Reconstitution, a security must have been listed and available for trading no later than the last trading day of September from four years prior, with seasoning occurring over the following 48 months.

Market capitalization eligibility

A security must have a free float market capitalization of at least \$500 million (USD).

Liquidity eligibility

A security must have a three-month average daily value traded (ADVT) of at least \$5 million (USD).

Other eligibility criteria

A security must have at least \$100 million (USD) in cash or short-term investments, after removing restricted cash.

A security must have a long-term debt to market cap ratio less than 30%.

A security must have positive shareholder equity.

A security must have positive revenue and cashflow.

A security must have a return on equity greater than 10%.

If, at reconstitution, Nasdaq becomes aware that an issuer or security will soon undergo a fundamental change that makes it ineligible, Nasdaq will 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**.

INDEX CALENDAR

Reconstitution schedule

The Index is reconstituted quarterly in January, April, July and October by applying the constituent selection process.

Reconstitution reference dates

Unless otherwise specified, the Security Eligibility Criteria and Constituent Selection Process are applied using market data as of the prior month-end (December, March, June, and September).

Reconstitution announcement dates

Index Reconstitutions are generally announced in early January, April, July, and October.

Reconstitution effective dates

Index Reconstitutions become effective at market open on the trading day following the third Friday in January, April, July, and October.

Rebalance schedule

The Index is rebalanced quarterly in January, April, July, and October by applying the constituent weighting process.

Rebalance reference dates

The constituent weighting process is applied using the Last Sale Price of all Index Securities as of the third Friday in January, April, July, and October.

Rebalance announcement dates

Index Rebalance changes are generally announced in early January, April, July, and October.

Rebalance effective dates

Index Rebalance changes become effective at market open on the trading day following the third Friday in January, April, July, and October.

Holiday schedules

The Index is calculated Monday through Friday, except on days when the Nasdaq US exchange is closed.

Index calculation and dissemination schedule

The index is calculated during the trading day and is disseminated once per second from 09:00:01 to 17:16:00 ET. 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.

CONSTITUENT SELECTION

Constituent selection process

Securities that meet the applicable Security Eligibility Criteria are considered for inclusion in the Index according to the following steps:

Step 1: Each security receives two ranks, with ranks of 1 representing the highest values:

- By the three-year cash flow percentage growth
- By the three years revenue percentage growth

For a security to be considered for the **Step 1** ranking, it must have positive cash flow and revenue figures three years prior. Otherwise, the security is excluded from the selection process and considered ineligible

for Index inclusion.

Step 2: The two ranks are summed to obtain a single Combined Rank.

Step 3: Securities ranked outside the lowest 30 by Combined Rank within each Industry, as determined by the Industry Classification Benchmark (ICB), a product of FTSE International Limited that is used under license, are excluded. In the event that multiple securities share the thirtieth-lowest Combined Rank, only the security among them with the highest free float market capitalization may be selected.

Step 4: Securities ranked outside the lowest 50 (for NQUSS constituents) and the lowest 75 (for NQUSM constituents) by Combined Rank are excluded.

Step 5: The 100 securities with the lowest Combined Ranks are selected.

- In the case of ties in Combined Ranks, the security with highest free float market capitalization is selected.

Contingent selection process

In the event that the final universe contains fewer than 100 securities, the 10% return on equity criterion is removed and constituent selection process is restarted.

An iterative process is applied to the eligible universe based on the following steps:

- Securities passing on all other original Security Eligibility Criteria are sorted based on their return on equity in descending order.
- All securities with return on equity greater than 10% are considered for inclusion.
- The security with the next largest return on equity below 10% is also included.
- All securities in the selection universe are re-ranked based on the selection process detailed in the original Constituent Selection Process.

The steps above are repeated until 100 securities are selected for inclusion in the final index.

CONSTITUENT WEIGHTING

Constituent weighting scheme

The Index is an equal-weighted index.

Constituent weighting process

The Index employs an equal weighting scheme: All Index Securities have equal index market value.

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

INDEX MAINTENANCE

Deletion policy

If, at any time other than an Index Reconstitution, Nasdaq determines that an Index Security has or will undergo a fundamental alteration that would make it ineligible for Index inclusion, the Index Security is removed as soon as practicable. Such alternations may include a merger, acquisition or other major corporate event that would otherwise adversely affect the integrity of the Index.

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 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 **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, 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.

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.**