

Nasdaq Global Risk Managed Income Index

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What is it?

The Nasdaq Global Risk Managed Income Index is a rules-based, quantitatively enabled index that is designed to provide risk managed, globally diversified exposure to income generating asset classes and produce a high yield for the risk taken. The Index consists of liquid, income-bearing TSX-listed ETFs.

Why Choose it?

- Strong Yield ✓
 - All components are income-producing ETFs.
- Reduced Risk ✓
 - Components are selected and weighted based on proprietary metrics, including yield-to-risk and momentum.
- Diversified Exposure ✓
 - Exposure includes a wide array of geographies within equities and fixed income.
- Designed for Canadian Investors ✓
 - Currently incorporates 19 ETFs listed on the TSX.

Index Overview

- In a changing rate environment, the Index's ability to tactically allocate to a broad range of income-bearing asset classes gives the Index the ability to generate a consistently high yield no matter the movement of interest rates.
- At the same time, the Index is designed to avoid taking uncomfortable amounts of risk to achieve this desired level of yield.
- By allocating to ETFs with the highest yield-to-risk (YTR) ratio the Index constantly searches out the best pockets of income-bearing asset classes to provide consistent yield with acceptable levels of risk.
- To provide a true level of risk mitigation, if the universe of ETFs are screened to have too high levels of risk the Index will rotate into a defensive position (iShares 1-5 Gov Laddered Bond ETF)

Index Methodology

Eligibility Criteria:

- Listed on Toronto Stock Exchange (TSX)
- Equity or fixed income exchange-traded fund (ETF)
- Minimum assets under management of \$50M CAD
- Pays dividends
- Best-in-class ETF per income bucket (selected by highest yield-to-risk)

Weighting:

- Weight is assigned in proportion to each ETF's yield-to-risk ratio
- Max weight of any ETF is 25%
- Max weight of any ETF issuer is 50%

Canadian ETF Marketplace Dictates What's in the Index

The Canadian ETF marketplace has and will continue to dictate the underlying basket. Back at the beginning of the back-test, the Index was built around a much smaller universe of ETFs (as few as 6 ETFs were in the Index at one time). At the end of 2008, there were over 75 ETFs with total assets over \$18B CAD in Canada. As time has progressed, the Canadian ETF marketplace has evolved, more products have launched and more products have ultimately become eligible. At the end of 1Q 2020, there were 781 ETFs with total assets of \$203B CAD in Canada. Therefore, the chance for more ETFs to make it into the basket has occurred and today there are 20 ETFs in the Index. As more and more income-producing ETFs come to market in Canada, the more the Index will evolve moving forward.

How the Index Works

Overview

Target Outcome	Increase portfolio income over a full market cycle by emphasizing both yield and capital protection
Suggested Use	As a complement to core equity exposure that can both diversify this exposure while also increasing portfolio income
Asset Class	Equity and fixed income, both domestic and international
Portfolio Composition	High income ETFs from a range of issuers plus short-term Canadian government bonds

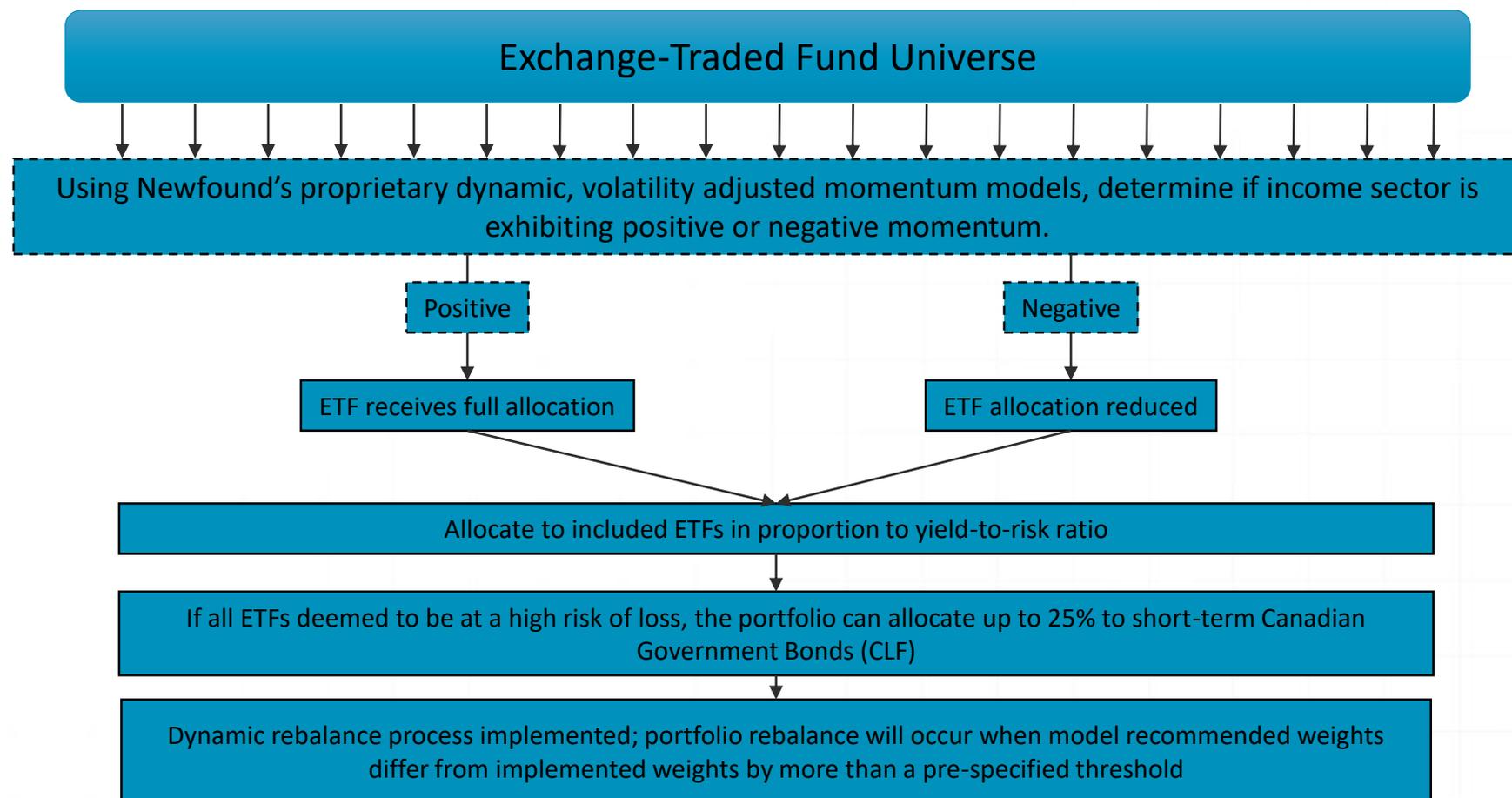
Investment Universe



Strategy Features

1. ETFs receive allocations in proportion to their “yield-to-risk” ratio. ETFs that offer more yield per unit of risk receive a higher allocation.
2. ETFs that are deemed to be an at increased risk of loss by Newfound’s Dynamic, Volatility-Adjusted Momentum model will receive a reduced allocation. If enough ETFs receive an “off” signal, then the portfolio can build a partial cash equivalents position in order to reduce downside risk.
3. ETF issuer, asset class and individual position constraints enforced at time of rebalance.

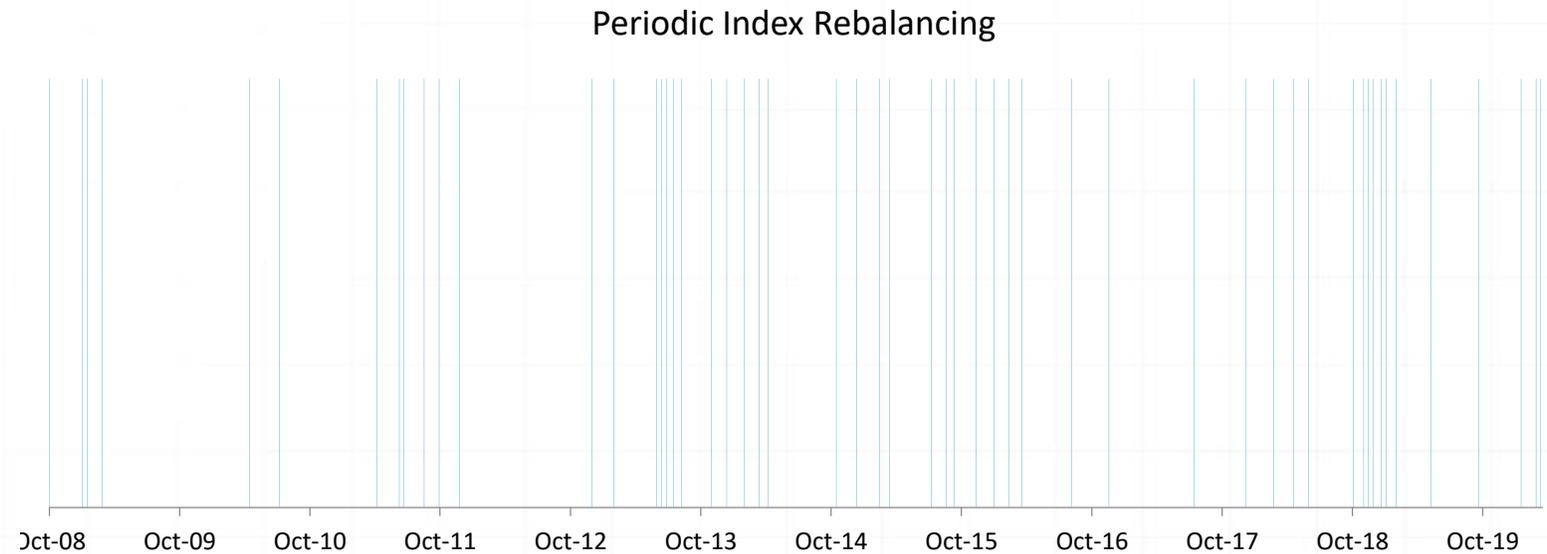
Index Rebalances: Weekly Review



Historical Index Rebalances

- From the beginning of the back-test through today, there have been **54** index rebalances.
- Since the index launched at the end of June 2014, there have been **30** rebalances.
- Average two-way turnover around each rebalance has been **23.62%**.
- Below is a break-out of historical rebalances:

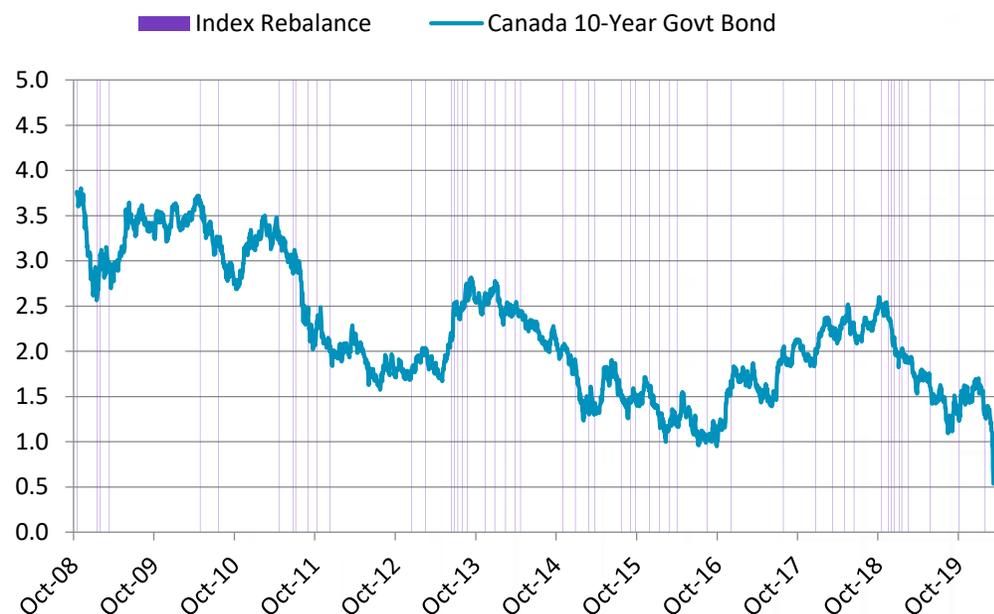
Year	No. Rebalances
2008	1
2009	3
2010	2
2011	6
2012	1
2013	8
2014	5
2015	6
2016	5
2017	2
2018	7
2019	5
2020	3



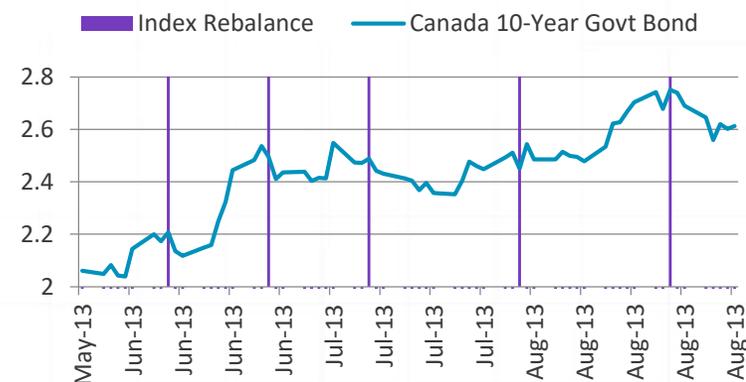
Historical Index Rebalances (Cont.)

Reviewing index rebalances around the price of the Canada 10-Year Government Bond

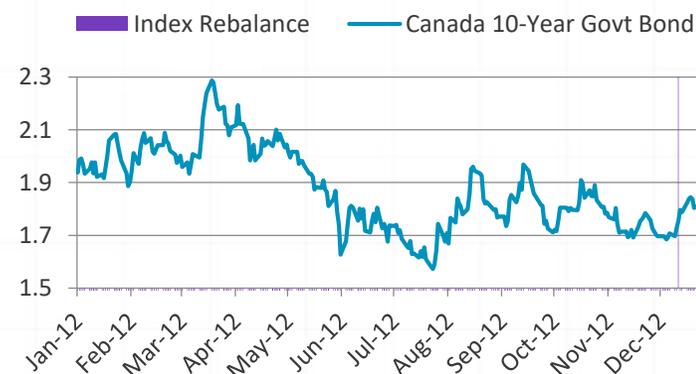
Entire History



High Rebalance Period: June-August 2013



Low Rebalance Period: Calendar Year 2012

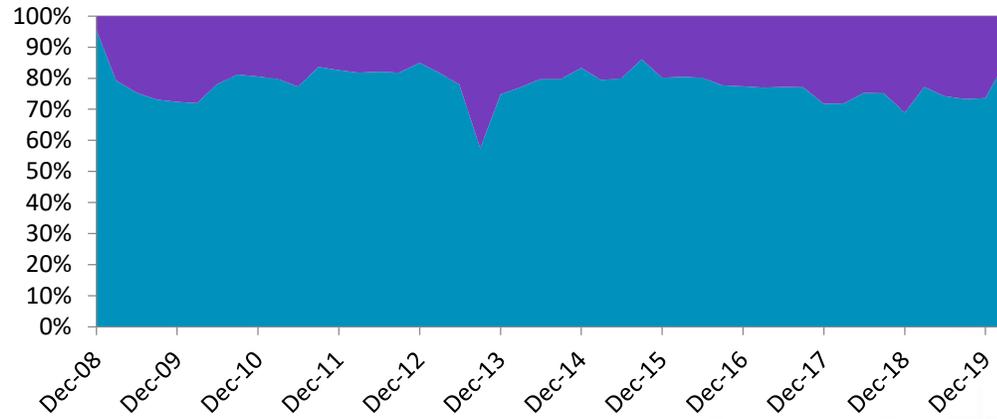


Index Exposure: 20 ETFs (03/31/2020)

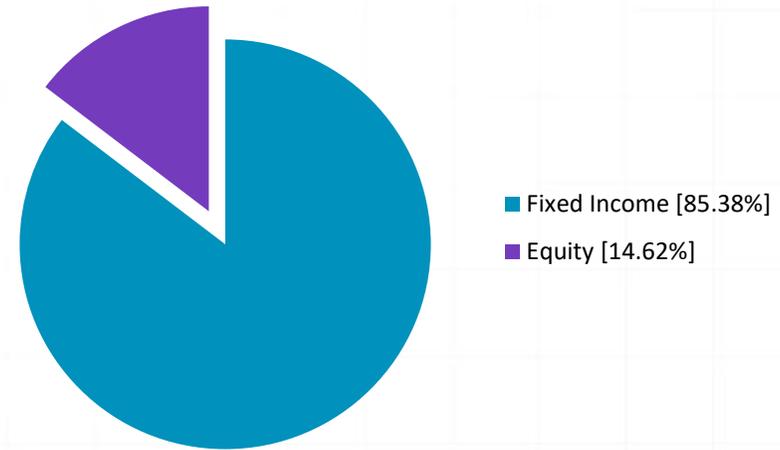
TICKER	NAME	ASSET CLASS		GEOGRAPHY			
		EQUITY	FIXED INCOME	CANADA	U.S.	INT'L	GLOBAL
ZEF	BMO Emerging Markets Bond Hedged to CAD Index ETF		✓			✓	
ZUT	BMO Equal Weight Utilities Index ETF	✓		✓			
ZRE	BMO Equal Weight REIT's Index ETF	✓		✓			
ZHY	BMO High Yield US Corporate Bond Hedged To CAD Index ETF		✓		✓		
ZIC	BMO Mid-Term US IG Corporate Bond Index ETF CAD		✓		✓		
FSL	First Trust Senior Loan ETF CAD Hedged Trust Units		✓		✓		
HBB	Horizons Cdn Select Universe Bond ETF		✓	✓			
CPD	iShares S&P/TSX Canadian Preferred Share Index ETF		✓	✓			
CGR	iShares Global Real Estate Index ETF	✓					✓
XFN	iShares S&P/TSX Capped Financials Index ETF	✓		✓			
CLF	iShares 1-5 Year Laddered Government Bond Index ETF		✓	✓			
XCB	iShares Canadian Corporate Bond Index ETF		✓	✓			
XGB	iShares Canadian Government Bond Index ETF		✓	✓			
CVD	iShares Convertible Bond Index ETF Trust Units		✓	✓			
XLB	iShares Core Canadian Long Term Bond Index ETF		✓	✓			
CYH	iShares Global Monthly Dividend Index ETF	✓					✓
XEI	iShares S&P/TSX Composite High Dividend Index ETF	✓		✓			
VGG	Vanguard US Dividend Appreciation Index ETF	✓			✓		
VSF	Vanguard Canadian Short-Term Bond Index ETF		✓	✓			
VDY	Vanguard FTSE Canadian High Dividend Yield Index ETF	✓		✓			

Index Exposures

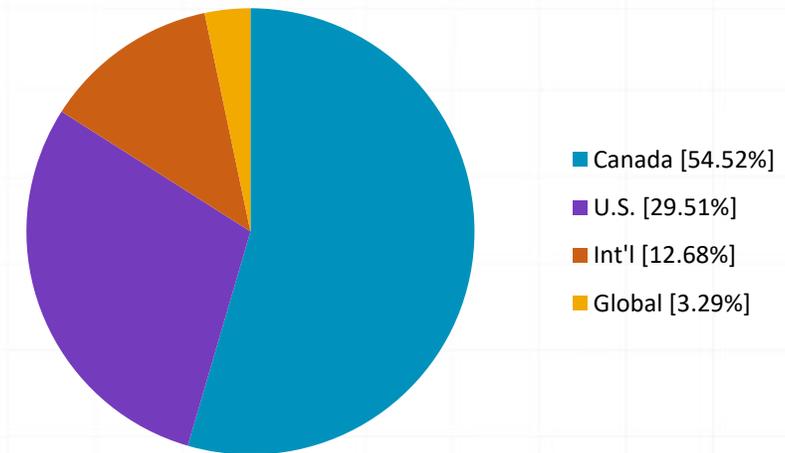
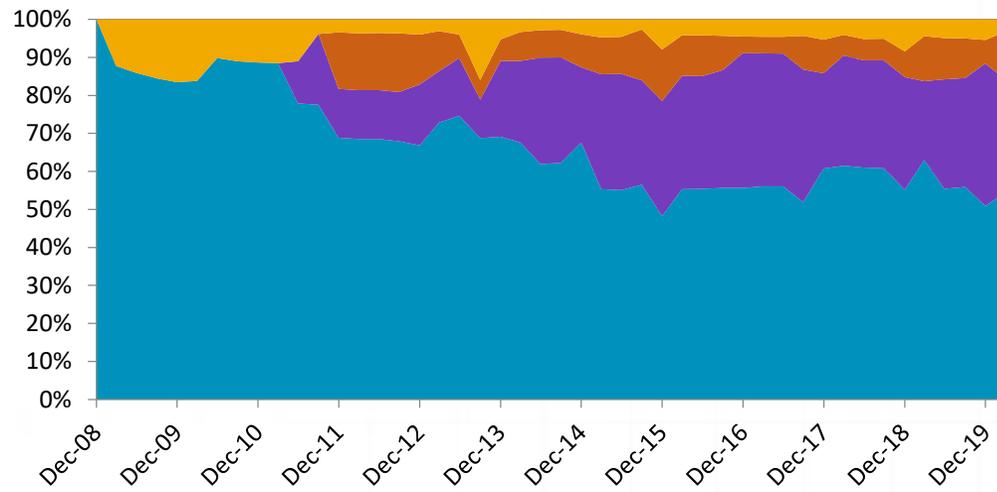
■ Fixed Income ■ Equity



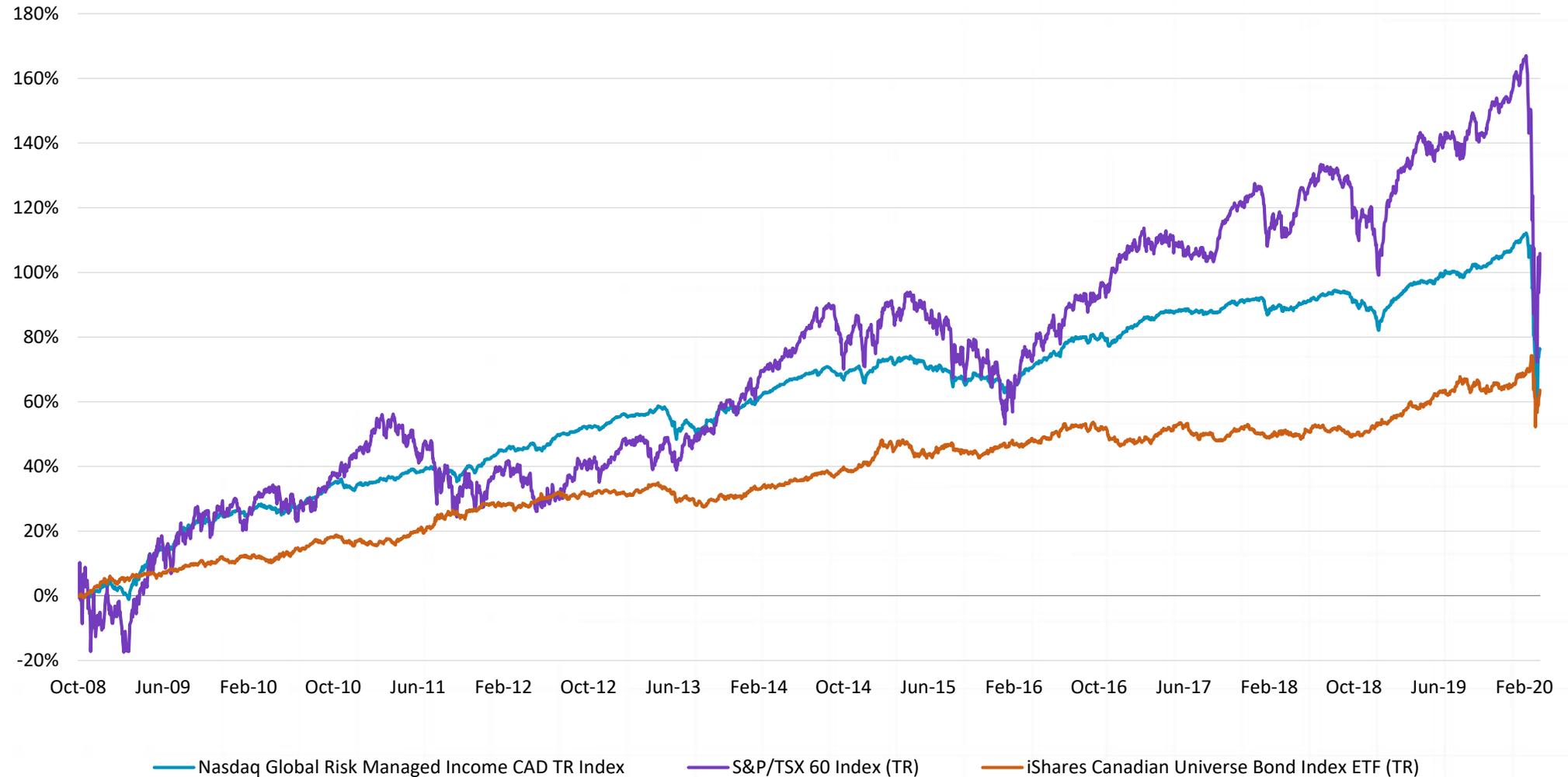
CURRENT ALLOCATIONS (March 31, 2020)



■ Canada ■ U.S. ■ Int'l ■ Global



Performance



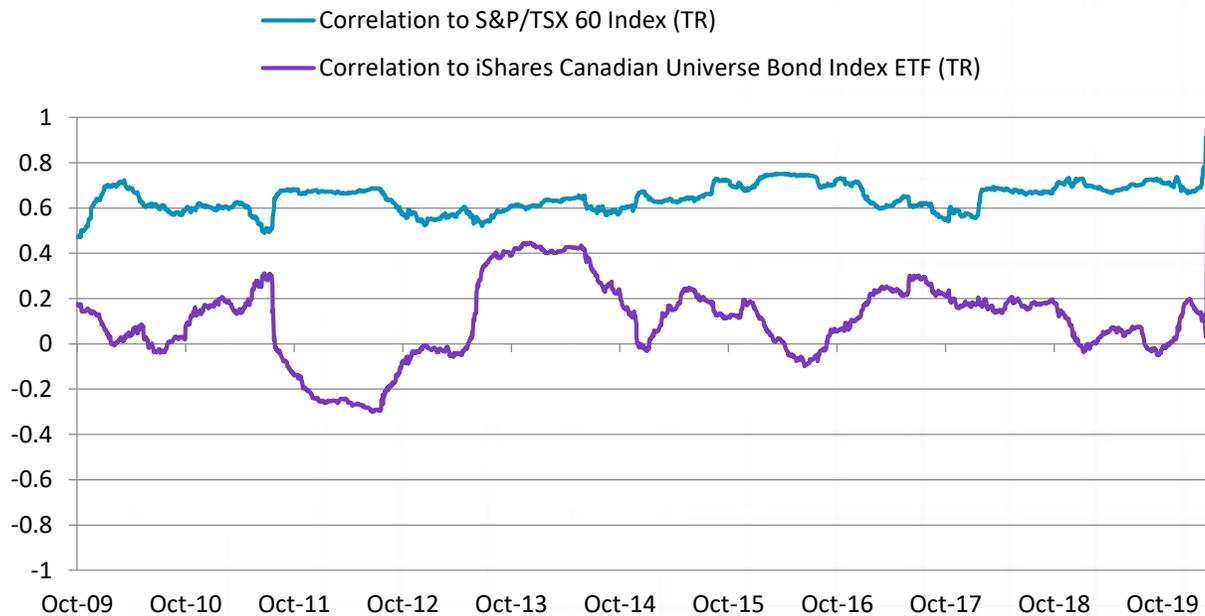
Performance Statistics

Performance	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Nasdaq Global Risk Managed Income CAD TR Index	3.84%	21.35%	7.09%	5.52%	8.88%	2.53%	6.58%	-1.52%	9.00%	5.41%	-3.44%	11.46%	-14.63%
S&P/TSX 60 Index (TR)	-2.83%	31.94%	13.84%	-9.08%	8.07%	13.26%	12.27%	-7.76%	21.36%	9.78%	-7.58%	21.93%	-18.48%
iShares Canadian Universe Bond Index ETF (TR)	5.17%	5.18%	6.14%	9.37%	2.98%	-1.31%	8.28%	3.27%	1.29%	2.42%	1.00%	7.27%	-0.25%
Volatility	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Nasdaq Global Risk Managed Income CAD TR Index	5.23%	7.16%	3.70%	4.89%	2.33%	4.22%	2.75%	3.65%	3.80%	2.09%	3.42%	2.50%	28.84%
S&P/TSX 60 Index (TR)	65.18%	27.48%	12.98%	18.77%	12.36%	10.33%	10.20%	14.48%	12.61%	7.35%	10.77%	7.63%	58.69%
iShares Canadian Universe Bond Index ETF (TR)	5.44%	4.57%	4.52%	4.75%	3.58%	3.68%	3.14%	4.99%	3.99%	3.51%	3.64%	4.48%	20.53%
Sharpe Ratio	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Nasdaq Global Risk Managed Income CAD TR Index	0.72	2.97	1.88	1.13	3.80	0.58	2.38	-0.46	2.24	1.92	-1.72	3.97	-0.51
S&P/TSX 60 Index (TR)	-0.04	1.16	1.06	-0.48	0.65	1.28	1.20	-0.55	1.65	1.14	-0.93	2.67	-0.32
iShares Canadian Universe Bond Index ETF (TR)	0.93	1.12	1.33	1.97	0.82	-0.37	2.64	0.62	0.20	0.29	-0.40	1.28	-0.02
Yield	2008*	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Nasdaq Global Risk Managed Income CAD TR Index	5.57%	5.93%	4.53%	4.71%	5.31%	4.40%	4.41%	3.92%	4.29%	4.22%	3.83%	4.47%	4.01%
S&P/TSX 60 Index (TR)	3.81%	4.00%	2.96%	2.34%	3.24%	3.44%	3.20%	2.80%	3.64%	3.16%	2.88%	3.82%	2.98%
iShares Canadian Universe Bond Index ETF (TR)	5.66%	4.60%	4.19%	3.98%	3.33%	3.16%	3.31%	2.89%	2.74%	2.84%	2.90%	2.97%	0.67%

The Nasdaq Global Risk Managed Income Index has historically generated an attractive risk-adjusted profile. Its yield notably and consistently exceeds that of the equity and bond markets.

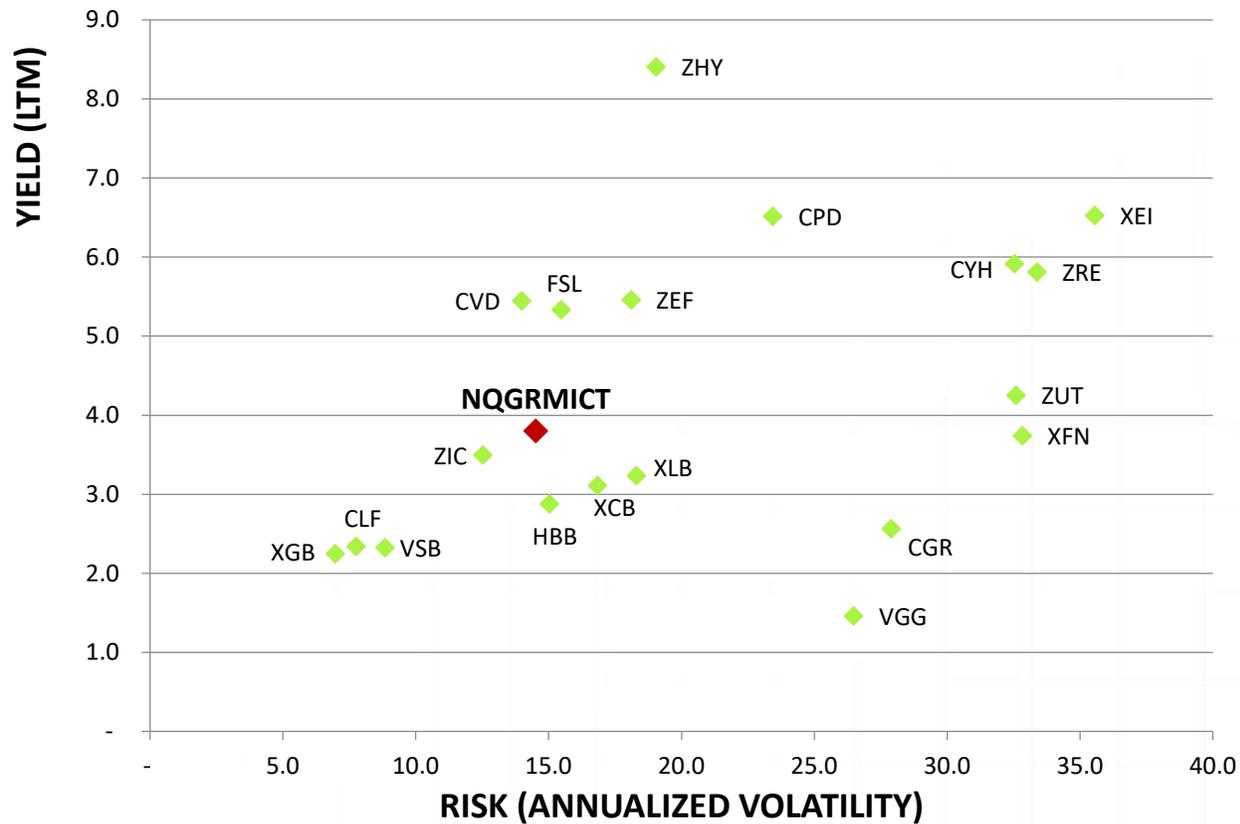
Correlation

Correlation (Nasdaq Index to...)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
S&P/TSX 60 Index (TR)	0.27	0.64	0.60	0.68	0.53	0.61	0.67	0.68	0.71	0.56	0.72	0.68	0.88
iShares Canadian Universe Bond Index ETF (TR)	0.55	0.11	0.16	-0.24	-0.01	0.43	-0.01	0.18	0.11	0.19	0.01	0.14	0.78



- Annual correlations between the Nasdaq Global Risk Managed Index and the S&P/TSX 60 have ranged from 0.27 to 0.88. The average and median annual correlation values are 0.63 and 0.67, respectively.
- Annual correlations between the Nasdaq Global Risk Managed Index and the iShares Canadian Universe Bond Index ETF have ranged from -0.24 to 0.78.

Yield-to-Risk (03/31/2020)

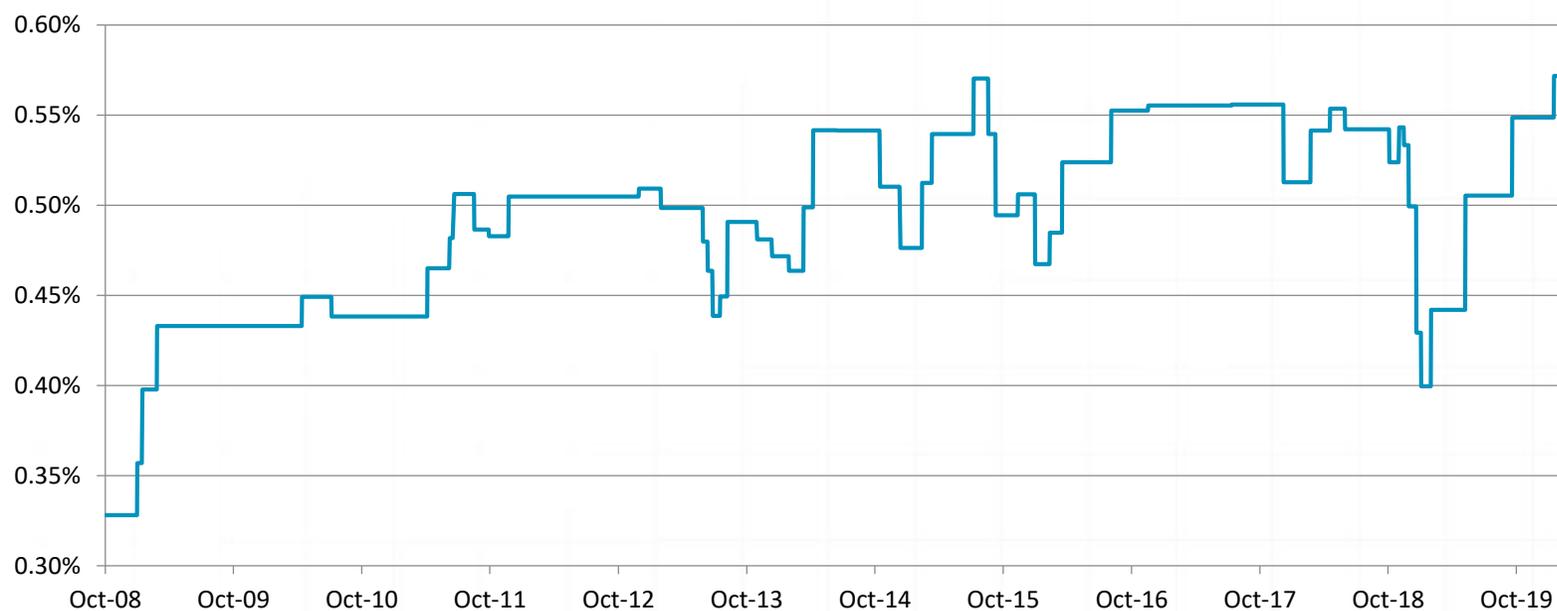


Ticker	Yield-to-Risk
NQGRMICT	0.26
ZHY	0.44
CVD	0.39
FSL	0.34
XGB	0.32
CLF	0.30
ZEF	0.30
ZIC	0.28
CPD	0.28
VSB	0.26
HBB	0.19
XCB	0.18
XEI	0.18
CYH	0.18
XLB	0.18
ZRE	0.17
VDY	0.16
ZUT	0.13
XFN	0.11
CGR	0.09
VGG	0.06

The Index displays favorable Yield-to-Risk, implying a safe income stream.

Index “Expense Ratio”

- Below is a graph of the weighted average expense ratios of the underlying ETFs in the index back to the beginning of the back-test.
- Note that any products tracking the index will have their own fees added to the fees listed below.
- As of March 31, 2020, the Index expense ratio was 0.51%.



Index Information

- Price Return Index
 - Ticker: NQGRMIC
 - Name: NASDAQ Global Risk Managed Income CAD Index
 - Link: <https://indexes.nasdaqomx.com/Index/Overview/NQGRMIC>
 - Live Date: 6/30/2014
 - Currencies: CAD

- Total Return Index
 - Ticker: NQGRMICT
 - Name: NASDAQ Global Risk Managed Income CAD TR Index
 - Link: <https://indexes.nasdaqomx.com/Index/Overview/NQGRMICT>
 - Live Date: 6/30/2014
 - Currencies: CAD

Sources: Nasdaq Global Indexes Research. FactSet. Bloomberg.

All index data prior to June 30, 2014 is back-tested data and indicative only. NASDAQ OMX provides either actual historical index values or back-tested histories for certain indexes. All back-tested index values for periods prior to the launch date of an index are merely indicative, and they are provided "AS IS" for informational and educational purposes only. NASDAQ OMX makes no guarantee as to the accuracy, timeliness, completeness, or fitness for any particular purpose of or for any index values, either historical or back-tested. Nothing contained herein should be construed as investment advice, either on behalf of a particular security or an overall investment strategy. Past performance is not indicative of future results.

Index back-tested history was constructed to begin on 10/15/2008 as the first date the Newfound proprietary model was able to calibrate the universe of holdings .

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