

How Do You Invest in Dividends and Quality?

Introducing the Nasdaq SmartX Quality Dividend Index (NQSXY)

March 2021

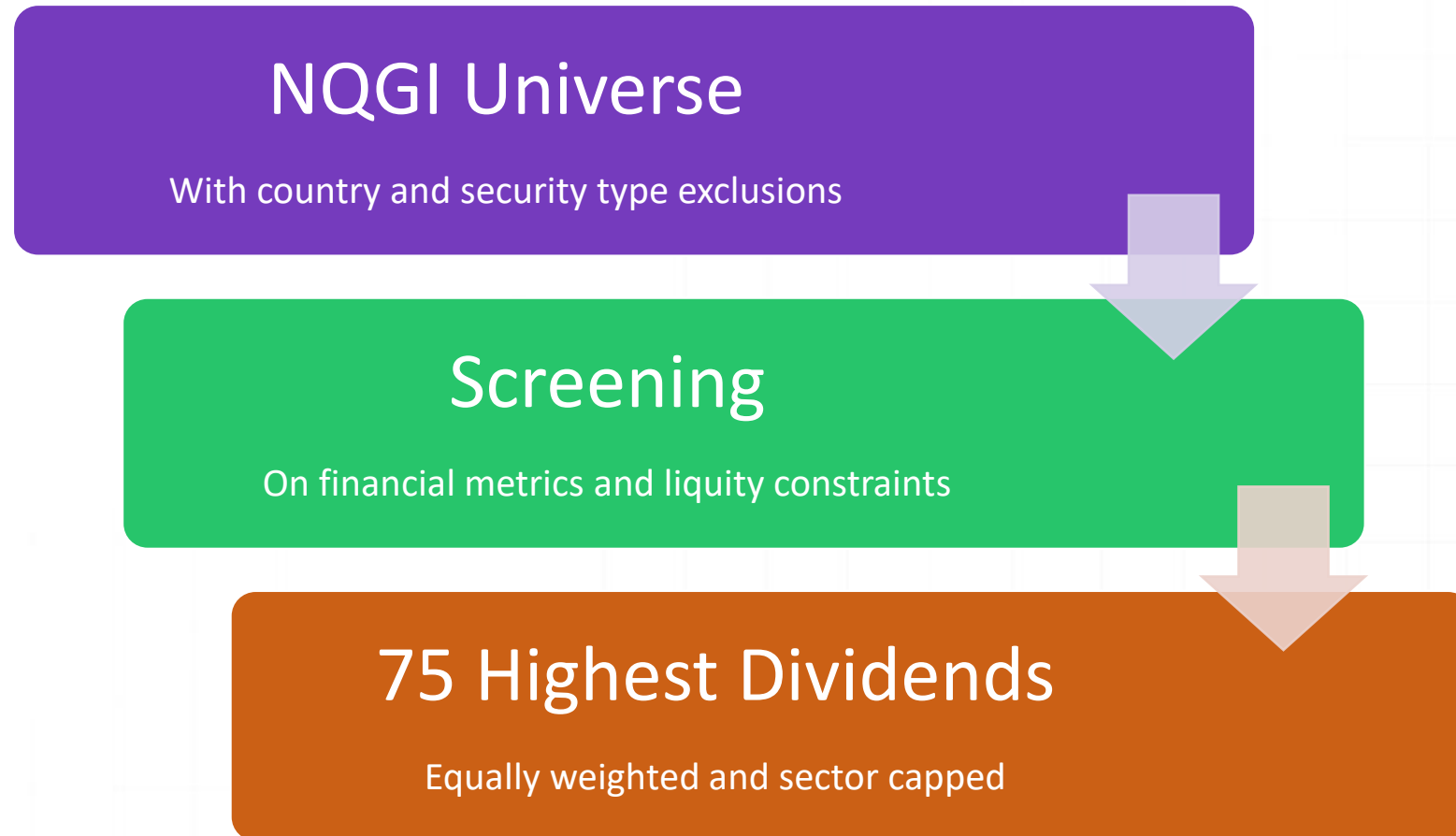


Nasdaq SmartX Quality Dividend Index (NQSXY)

Overview:

- The NASDAQ SmartX Quality Dividend Index (NQSXY) is Nasdaq's preferred investment product solution for **dividend-seeking investors who want quality in addition to income**.
- The index is comprised of up to **75 highest yielding securities** that meet all screens for **financial metrics** and **liquidity constraints**.
- The Index is **equally weighted** and **capped on the sector level** to mitigate the concentration risk.

NQSXY Index Construction



NQSXY Index Construction

Starting Universe:

- A NQSXY eligible security must first be a member of the **Nasdaq Global Index** (NQGI).
- It **should not** be classified as in any of the following countries as defined by Nasdaq: **Chile, Columbia, Czech Republic, Egypt, Hungary, India, Israel, Peru, Philippines, Poland, Russia, or Turkey.**
- It **should not** be a **China B-share** stock or an ICB defined **REITs** company as well.

NQSXY Index Construction

Financial Metrics and Liquidity Constraints:

- Minimum **market capitalization** of \$1 billion;
- Minimum 3-month average daily dollar **trading volume** of \$2.5 mil.;
- 10 years of a **return on invested capital** greater than 10%;
- Positive trailing twelve month **payout ratio** less than 80%;
- Positive 1 year and 3 year **dividend growth**;
- **Debt-to-equity** less than 100%.

NQSXY Index Construction

Weighting and Capping:

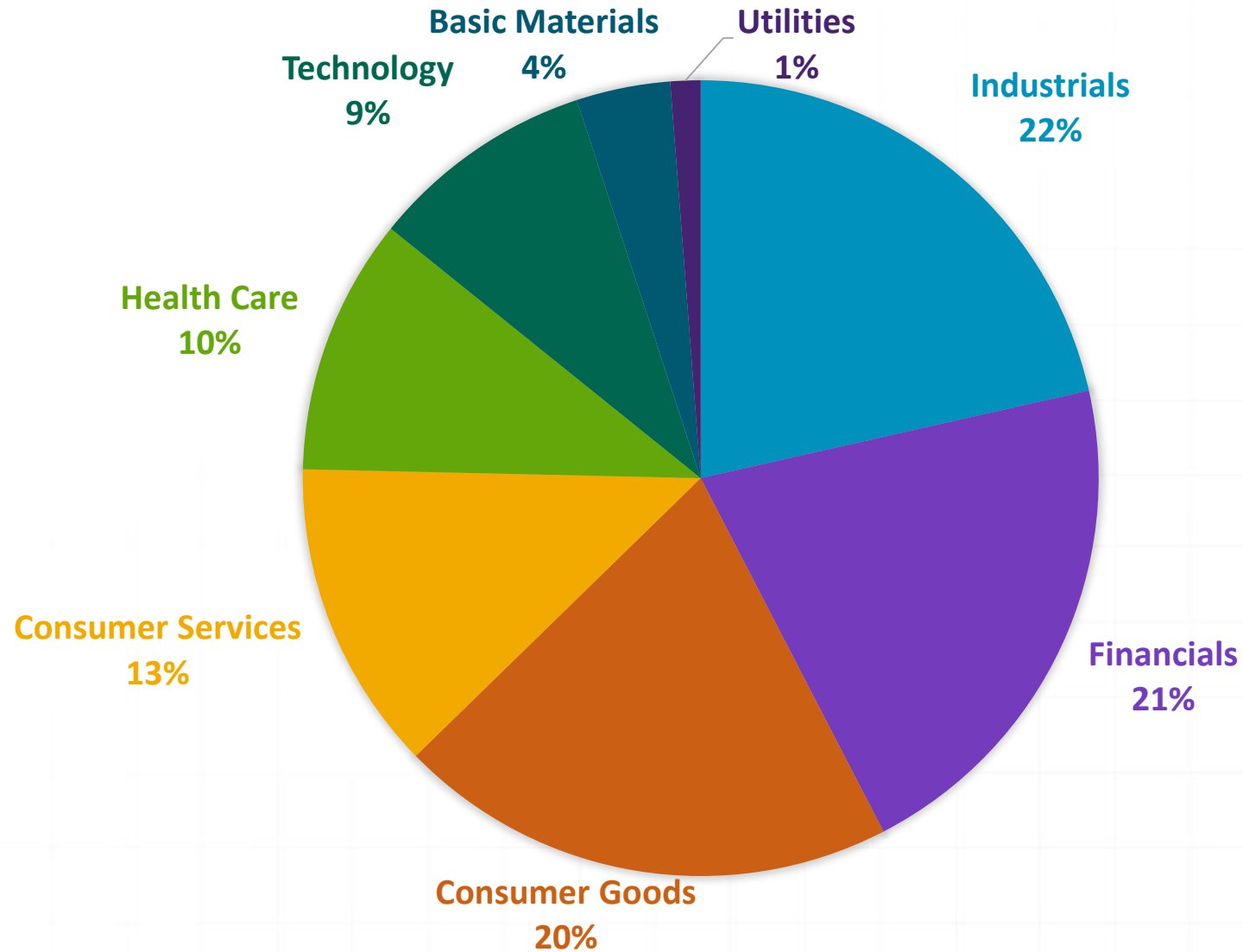
- Select the **top 75** securities with the **highest** trailing twelve months **yield**;
- **Equally weight** all selected securities;
- If any ICB Industry has a weight greater than 25%, the lowest ranking component within the Industry will be removed and replaced with the next eligible security from a different Industry. This process is repeated until **no Industry has a weight greater than 25%**.

NQSXY Index Construction

Evaluation and Rebalance:

- Index will be **evaluated annually** using market data through the end of every December. Security additions and deletions are made effective after the close of the third Friday in March.
- Index will be **rebalanced to equal weights on a quarterly basis**. The changes are made effective after the close of trading on the third Friday in March, June, September and December.
- Additionally, if an index security **suspends its dividend payments**, the security **will be removed** from the Index after the close of trading on the third Friday of the following month.

NQSXY Sector Weights



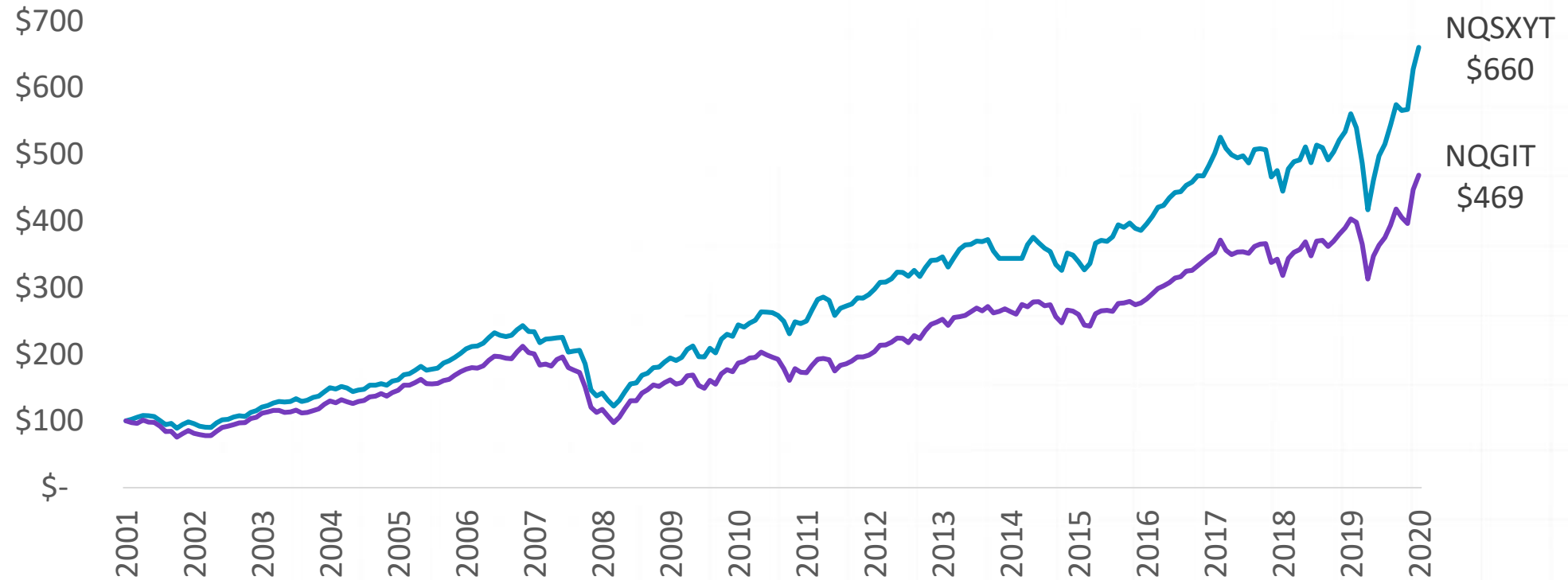
** Based on
Feb. 28, 2021
NQSXY
components.*

NQSXY Top 10 Holdings

Company Name	Symbol	D/Y	Weight	Country	Industry
Magna Intl Rg	MG	2.00	1.72	CA	Consumer Goods
FIRST FINL BKSHS INC	FFIN	1.14	1.64	US	Financials
MEDIFAST INC	MED	1.79	1.63	US	Consumer Goods
SERVISFIRST BANCS CM	SFBS	1.46	1.60	US	Financials
Abcam Rg	ABC	0.72	1.58	GB	Health Care
Daito Trust Cons Rg	1878	4.65	1.58	JP	Financials
ASML Hldg Rg	ASML	0.55	1.53	NL	Technology
COMMERCE BANCSHARES	CBSH	1.39	1.53	US	Financials
Breville Group Rg	BRG	1.20	1.51	AU	Consumer Goods
Rotork Rg	ROR	2.19	1.51	GB	Industrials

- Based on NQSXY Feb. 28, 2021 components and FactSet trailing 12 months dividend yield.

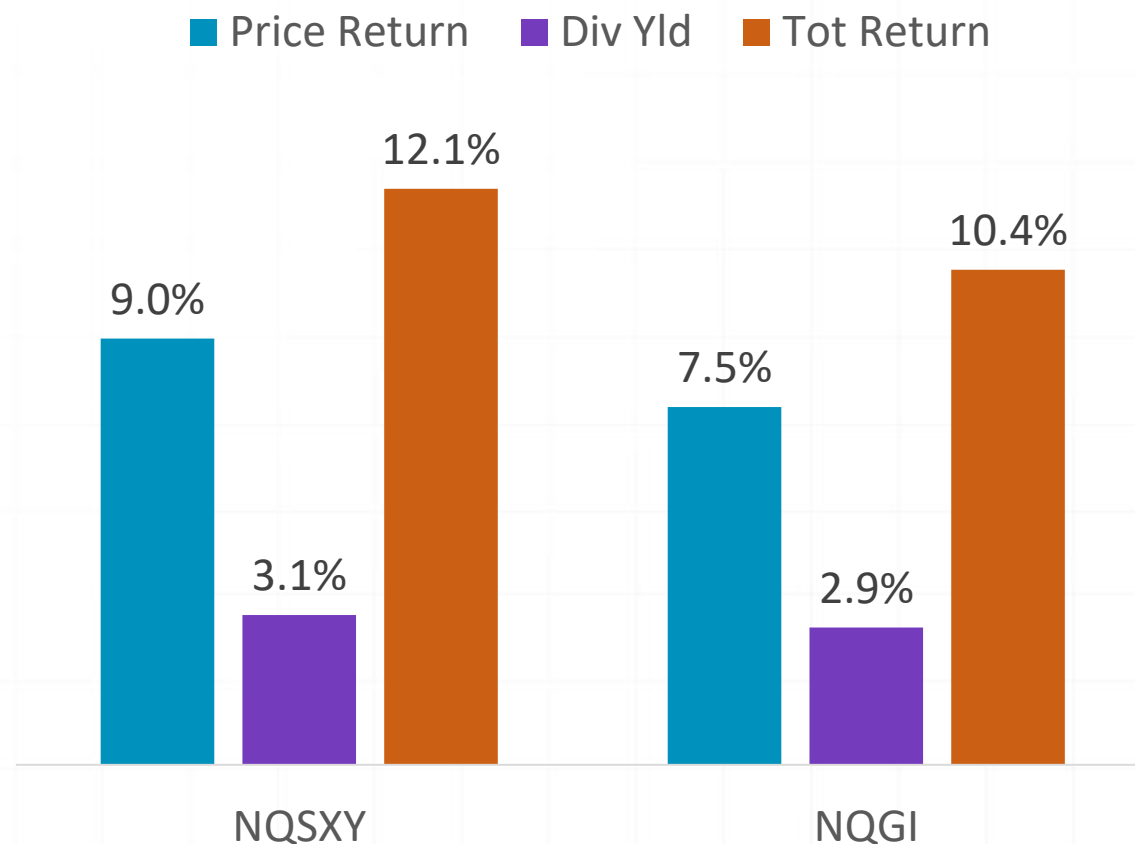
NQSXY Index Performance



- Nasdaq data from Dec. 31, 2001 to Dec. 31, 2020.
- Nasdaq SmartX Quality Dividend Total Return Index (NQSXYT) and Nasdaq Global Total Return Index (NQGIT).
- NQSXYT was launched at Feb 10, 2014, history before launch are back-tested returns.

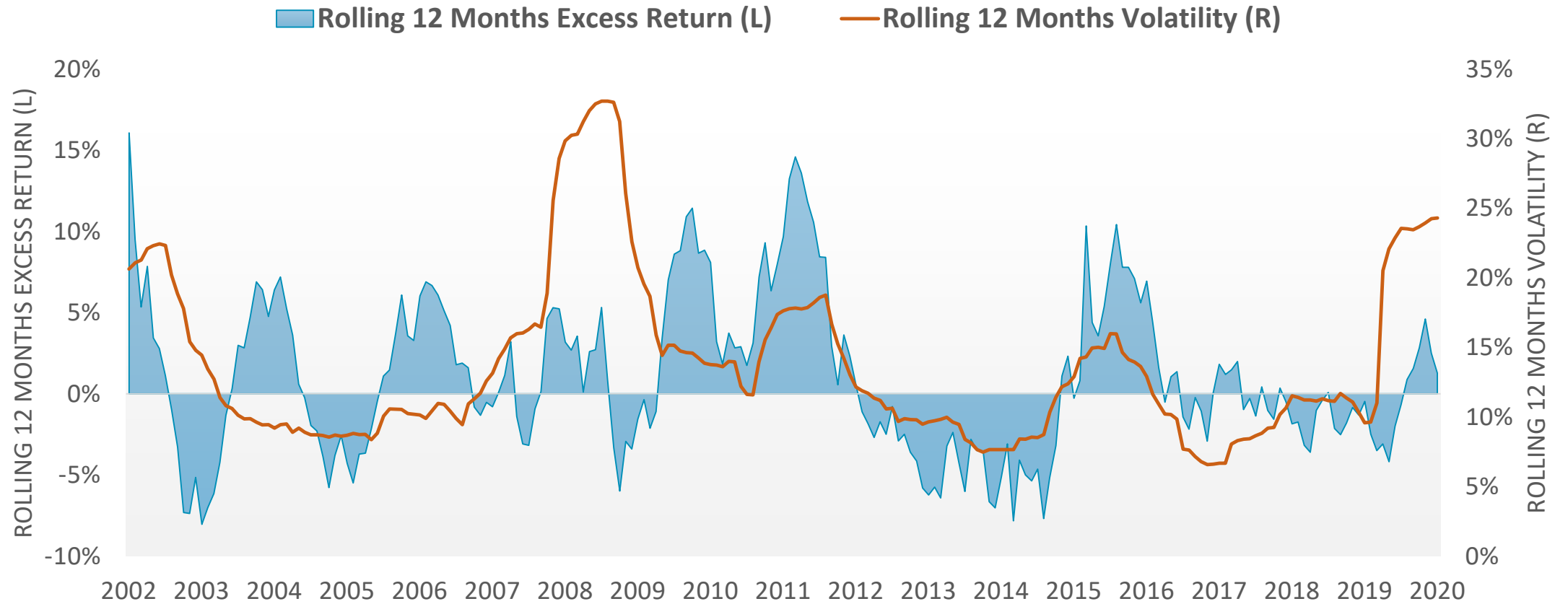
NQSXY Return Breakdown

	NQSXY	NQGI
Price Return	9.0%	7.5%
Dividend Yield	3.1%	2.9%
Total Return	12.1%	10.4%
Volatility	13.6%	14.5%
Correlation	0.94	



- Nasdaq data from Dec. 31, 2001 to Dec. 31, 2020. Return and volatility data are annualized.

Excess Return vs. Volatility



- *Nasdaq data from Dec. 31, 2001 to Dec. 31, 2020.*

Annualized Return Breakdown

Year	NQSXY			NQGI		
	Price Return	Total Return	Dividend Yield	Price Return	Total Return	Dividend Yield
2002	-6.6%	-4.3%	2.3%	-20.3%	-18.5%	1.8%
2003	23.0%	26.0%	3.0%	33.6%	36.6%	3.1%
2004	20.7%	24.1%	3.3%	13.8%	16.5%	2.7%
2005	5.4%	7.8%	2.4%	9.7%	12.5%	2.8%
2006	25.6%	29.1%	3.5%	18.4%	21.7%	3.3%
2007	9.2%	12.2%	3.1%	9.7%	12.8%	3.1%
2008	-41.6%	-39.4%	2.3%	-43.6%	-41.6%	2.0%
2009	33.1%	37.2%	4.1%	33.7%	37.8%	4.2%
2010	22.1%	25.5%	3.4%	12.6%	15.6%	3.0%

Annualized Return Breakdown (Continued)

Year	NQSXY			NQGI		
	Price Return	Total Return	Dividend Yield	Price Return	Total Return	Dividend Yield
2011	-0.6%	2.3%	2.9%	-10.4%	-7.7%	2.7%
2012	14.6%	19.1%	4.5%	13.9%	18.3%	4.4%
2013	12.7%	16.4%	3.7%	20.7%	23.8%	3.1%
2014	-3.0%	-0.7%	2.3%	2.0%	4.5%	2.5%
2015	-4.4%	-1.4%	3.0%	-3.9%	-1.6%	2.4%
2016	13.4%	16.7%	3.3%	6.2%	9.0%	2.8%
2017	23.1%	26.8%	3.6%	21.6%	24.5%	3.0%
2018	-13.8%	-11.3%	2.5%	-11.9%	-9.7%	2.2%
2019	22.3%	26.1%	3.7%	23.4%	26.6%	3.2%
2020	15.0%	17.8%	2.8%	13.7%	16.3%	2.5%

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