



INDEX METHODOLOGY

# NASDAQ VICTORY DIVIDEND ACCELERATOR INDEX

## NQVDIV

### INDEX DESCRIPTION

The Nasdaq Victory Dividend Accelerator Index is designed to track a set of securities that have been forecasted to grow dividends. The Index consists of 75 securities selected from the Nasdaq US Large Mid Cap Index based on factors such as dividend growth, liquidity and other financial metrics.

### SECURITY ELIGIBILITY CRITERIA

#### Security universe index

A security must be included in the Nasdaq US Large Mid Index (NQUSBLM) as of the Reconstitution Reference Date. Please refer to the NQUSBLM methodology for information on its constituent selection.

#### Multiple securities per issuer

One security per issuer is permitted. If an issuer has multiple otherwise-eligible securities, only the security with the highest three-month average daily traded value may be eligible.

#### Liquidity

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

#### Industry and sector

A security must not be allocated by the Industry Classification Benchmark (ICB) to the Real Estate Investment Trusts or Mortgage Real Estate Investment Trusts Sectors. ICB is a product of FTSE International Limited that is used under license.

#### Other eligibility criteria

A security must have had an increasing annual regular dividend for each of the most recent five years, based on ex-date.

[A security's issuer must have a 10-year average net income greater than zero.](#)

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 Reconstitution is conducted annually in April by applying the Security Eligibility Criteria and Constituent Selection Process.

### Reconstitution reference dates

Unless otherwise specified, the Security Eligibility Criteria and Constituent Selection Process are applied using data as of the end of March.

### Reconstitution announcement dates

Index Reconstitutions are announced in early April.

### Reconstitution effective dates

Index Reconstitutions become effective at market open on the first trading day following the third Friday in April, save for one exception: in years when the third Friday in April is an Index holiday, the Index Reconstitution becomes effective at market open on the second trading day following the third Friday.

### Rebalance schedule

The Index is rebalanced quarterly in April, July, October and January by applying the Constituent Weighting Process.

### Rebalance reference dates

The Index Rebalance uses market data as of the end of March, June, September and December, respectively.

### Rebalance announcement dates

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

## Rebalance effective dates

Index Rebalances become effective at market open on the first trading day following the third Friday in April, July, October, and January, save for one exception: In years when the third Friday in April is an Index holiday, the Index Rebalance becomes effective at market open on the second trading day following the third Friday.

## Holiday schedules

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

## Index calculation and dissemination schedule

The Index is calculated during the trading day based on the Last Sale Price and is disseminated once per second from 09:30:01 to 17:16:00 ET. The closing value of the index may change after market hours due to corrections to the Last Sale Price of the Index Securities.

# CONSTITUENT SELECTION

## Constituent selection process

Seventy-five securities are selected for inclusion in the Index based on their durations of past dividend growth and predicted likelihood of continued dividend growth.

### Predicted likelihood of continued dividend growth

Logit regressions are used to predict each eligible security's likelihood of next-year dividend per share (DPS) increase. The model is trained using a security-year as the unit of observation. The universe is ten years of data for each security in NQUSBLM, excluding securities classified by ICB as REITs and excluding security-years without a year-over-year DPS increase. The upcoming year's likelihood of having positive change in annual DPS is predicted based on 14 independent variables, normalized across the training data set. Missing data for any of the 14 independent variables are replaced with the median value of the security-year's industry.

- Dividend yield
- Return on equity
- Return on invested capital
- Pre-tax income to debt ratio
- Five-year dividend growth consistency
- Price-earnings ratio
- Gross margin
- Five-year net income stability
- Five-year sales stability
- Five-year trend in return on equity
- Cash to market capitalization ratio

- Three-year monthly price volatility
- Company market capitalization
- Consecutive years of dividend growth

### **Selection via history-based bucketing**

Seventy-five securities are selected for inclusion in the Index, placed into three selection buckets based on their dividend payment history. The three buckets are comprised of the following securities:

- Bucket 1: Of securities with at least 20 years of dividend growth, the 50 securities predicted most likely to have next-year dividend growth
- Bucket 2: Of securities with 11 to 19 years of dividend growth, the 15 securities predicted most likely to have next-year dividend growth
- Bucket 3: Of securities with five to 10 years of dividend growth, the 10 securities predicted most likely to have next-year dividend growth

If fewer than 50 securities are eligible for Bucket 1, the number of securities in Bucket 2 is increased so that 65 securities comprise Buckets 1 and 2. If the total number of securities eligible for Buckets 1 and 2 is less than 65, the number of securities in Bucket 3 is increased so that 75 securities comprise the Index.

## **CONSTITUENT WEIGHTING**

### **Constituent weighting scheme**

The Index is a modified dividend yield- and income stability-weighted Index.

### **Constituent weighting process**

A weighted average of dividend yield and 10-year net income stability is calculated for each security, called the Weighted Average Score. A security's Bucket classification dictates the specific weights used to calculate its Weighted Average Score:

- Bucket 1: 75% dividend yield plus 25% 10-year net income stability
- Bucket 2: 50% dividend yield plus 50% 10-year net income stability
- Bucket 3: 25% dividend yield plus 75% 10-year net income stability

The set of 75 Weighted Average Scores is winsorized to produce Winsorized Scores. ~~Any negative Winsorized Score is replaced with the smallest positive Winsorized Score.~~

Each Index Security's initial weight is determined by dividing its Winsorized Score by the sum of the Winsorized Scores of all Index Securities. Initial weights are then adjusted [via a two-stage process to determine the final weights](#).

[Stage 1. Initial weights are proportionally redistributed to meet the following constraint, producing the Stage 1 Weights:](#)

- [No security weight may exceed 4%.](#)

[Stage 2. Stage 1 Weights are proportionally redistributed to meet the following constraint, producing the final weights:](#)

- [No security weight may be lower than 0.25%.](#)

~~to meet~~ [The final Index Security weights satisfy](#) the following constraint(s), ~~producing the final weights:~~

- No Index Security weight may exceed 4%.
- [No Index Security weight may be lower than 0.25%.](#)

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

## INDEX MAINTENANCE

### Deletion policy

#### Daily

If, at any time during the year other than the Index Reconstitution(s), an Index Security that no longer meets the Eligibility Criteria, or is otherwise determined to have become ineligible for inclusion in the Index, it is removed from the Index. This includes circumstances wherein an Index Security is determined to be ineligible for continued inclusion in the Index due to bankruptcy, delisting, or a definitive agreement that would likely result in the security no longer being Index eligible. Please refer to **Nasdaq's Corporate Actions and Events Manual – Equities** for detailed handling of the aforementioned event types.

#### Monthly

When an Index Security's dividend payments are suspended or decreased by an amount greater than or equal to 50%, based on the prior ex-date of the last dividend distributed at each month's end, the Index Security is removed from the Index at market open on the first trading day following the third Friday of the following month.

#### [Quarterly](#)

[When an Index Security's issuer's 10-year average net income is negative, based on data at each quarter's end, the Index Security is removed from the Index at the rebalance effective date in the following month.](#)

### Replacement policy

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

### Addition policy

Index Securities are not added to the Index outside of the Index Reconstitution.

## 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. 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.”

## 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, refer to the **Nasdaq Index Methodology Guide**.

### Unexpected market closures

For information on Unexpected Market Closures, 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), refer to the **Calculation Manual – Equities and Commodities**.

### Recalculation and restatement policy

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

### Data sources

For information on data sources and the classification of dividends and associated tax rates, 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, 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

## Index 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**.

## Nasdaq Index Management Committee

The Nasdaq Index Management Committee is responsible for the overall oversight of activities related to the development, issuance, and operation of Nasdaq Indexes. The Committee reviews and approves all new Index Methodologies as well as updates to existing methodologies. For a detailed overview of the Index Management Committee, please see the **Nasdaq Index Methodology Guide**.

## Nasdaq U.S. Oversight Committee

The U.S. Oversight Committee is responsible for the oversight of the overall Benchmark determination process and is responsible for the overall governance of the U.S.-based Index business including review and approval of the control framework, certain policies and procedures, certain methodologies and methodology changes and other Index management oversight.

For a detailed overview of the U.S. Oversight Committee, please see the **Nasdaq Index Methodology Guide**.

## **Internal reviews of methodology**

All new methodologies or updates to existing methodologies must be reviewed by the Index Management Committee. Additionally, all in-scope Index methodologies are subject to an annual review by the Index Management Committee and U.S. Oversight Committee. For a detailed description on internal reviews of the Methodology, please see the **Nasdaq Index Methodology Guide**.

## **Communication with stakeholders and consultations**

In certain circumstances, Nasdaq will seek feedback from clients and market participants via consultations. For a detailed description on Consultations and Communications with Stakeholders, please see the **Nasdaq Index Methodology Guide**.

## **Index cessation**

Nasdaq has a documented procedure that is followed for Index Cessation that includes termination/retirement of an Index or Index Family. For more information, refer to the **Nasdaq Index Cessation Policy**.

## **Discretionary adjustment**

This Index Methodology was created by Nasdaq to achieve the aforementioned objective of measuring the underlying purpose of each Index governed by this methodology document. Any deviations from this methodology are made in the sole judgment and discretion of Nasdaq so that the Index continues to achieve its objective.

For more information on potential adjustments including Calculation and Pricing Disruptions, Expert Judgment, and Unexpected Reconstitution/Rebalances, 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.

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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.**

## METHODOLOGY CHANGE LOG

<u>Effective Date</u>	<u>Methodology Section</u>	<u>Description or Summary of Changes</u>
<u>October 24, 2022</u>	<u>Eligibility criteria: other criteria</u>	<u>A reconstitution requirement of positive 10-year average net income is introduced.</u>
<u>October 24, 2022</u>	<u>Constituent weighting</u>	<u>A rebalance minimum security weight of 0.25% is introduced.</u>
<u>October 24, 2022</u>	<u>Index maintenance: deletion</u>	<u>A quarterly check for continued positive 10-year average net income is introduced.</u>