

Nasdaq Q-50 Index

Investing in the Next Generation of Innovators

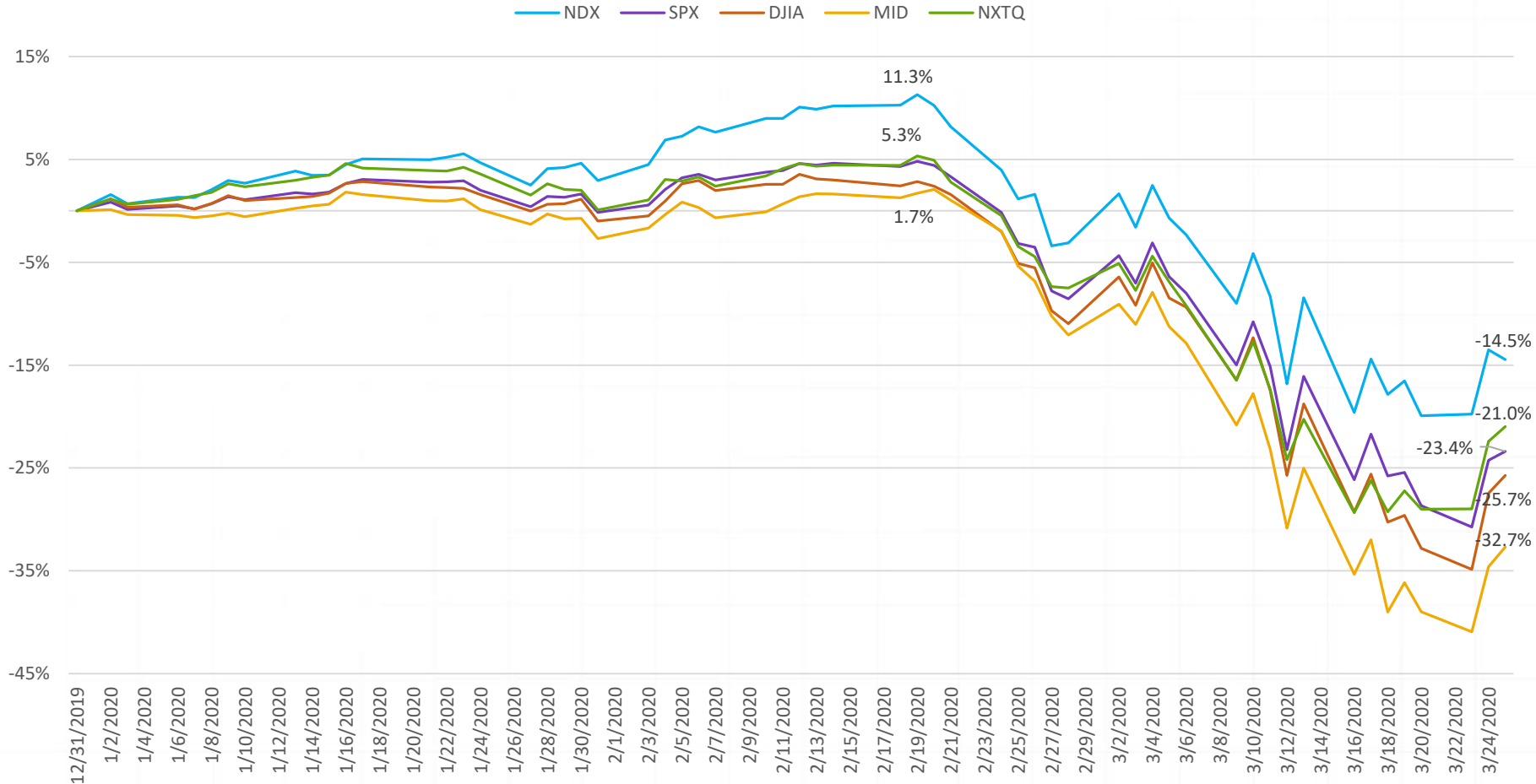
 Nasdaq | REWRITE TOMORROW

Index Overview

- The Nasdaq Q-50 Index (NXTQ) tracks the performance of the 50 securities that are next eligible for inclusion into the Nasdaq-100 Index (NDX). The index deploys the proven methodology behind the time-tested Nasdaq-100 Index, with its emphasis on innovation and growth.
- The index begins with the universe of all companies, both domestic and foreign, that are listed on the Nasdaq Stock Market.
- The index then removes all companies classified as financials from eligibility according to the Industry Classification Benchmark (ICB). Finally, the top 50 market cap names not currently in the Nasdaq-100 are included in the index.
- The methodology keeps the Nasdaq Q-50 Index aligned with the innovation and growth focus of the Nasdaq-100 Index, but with acute focus on the next generation of market leadership.
- The key benefit of the Nasdaq Q-50 is diversification into additional disruptive companies beyond the established, mega cap and large cap leaders in the Nasdaq-100.

NXTQ YTD Performance

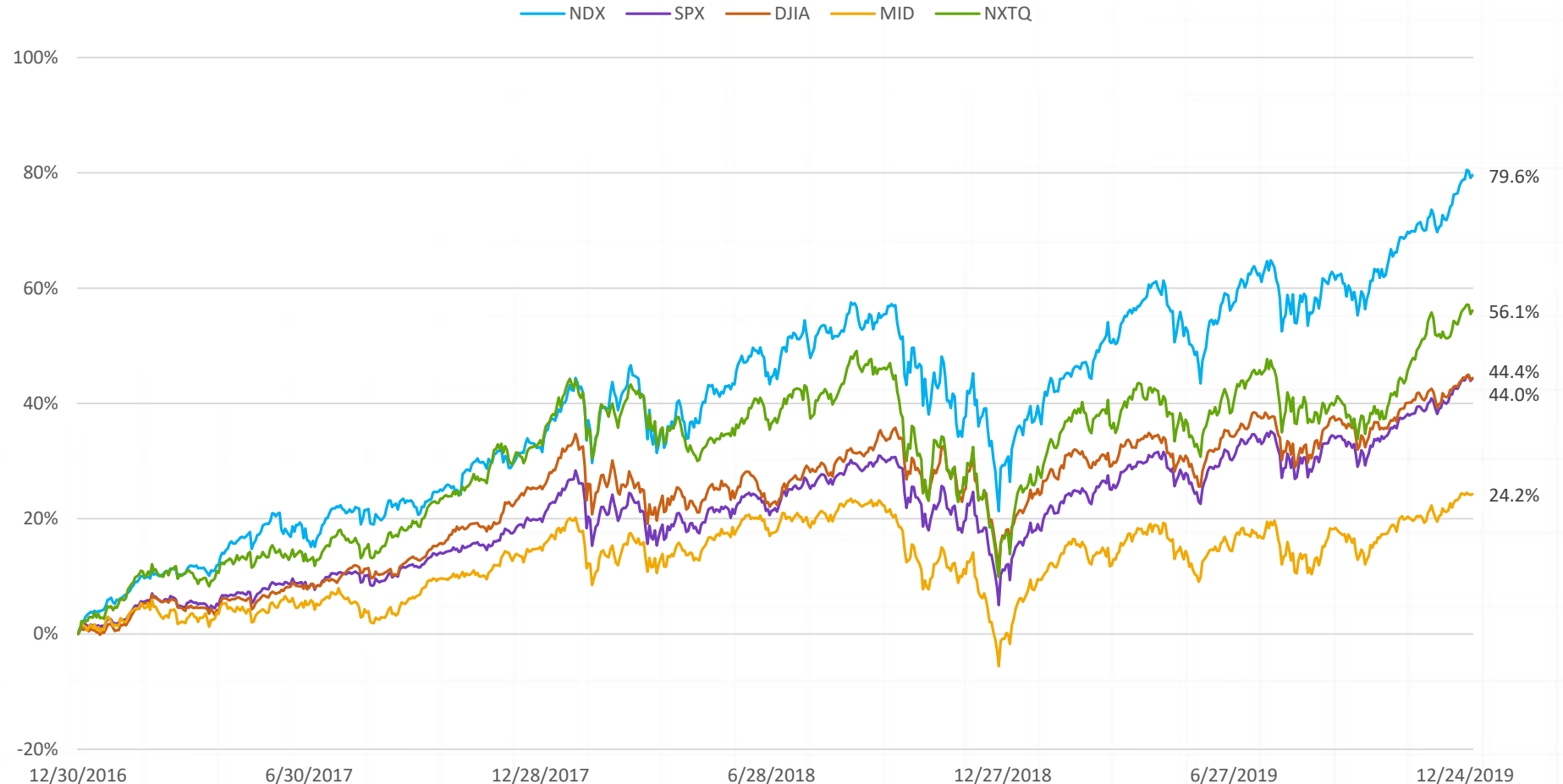
NXTQ YTD 2020 Performance vs. Market Benchmarks thru March 25



- In the YTD period thru March 25, NXTQ outperformed the S&P 400 Mid Cap Index (MID) by 11.7%, while also outperforming the large-cap S&P 500 (SPX) and Dow Jones Industrial Average (DJIA)
- Outperformance observed both in the run-up to the market peak on February 19, as well as during the subsequent downturn

NXTQ Performance 2017-2019

NXTQ Performance vs. Market Benchmarks 2017-2019



- In the preceding three-year period thru December 31, NXTQ outperformed the S&P 400 Mid Cap Index (MID) by a whopping 32%, or more than double, while also outperforming the large-cap S&P 500 (SPX) and Dow Jones Industrial Average (DJIA) by ~12% each
- NXTQ trailed only the Nasdaq-100 (NDX) by 23.5%

NXTQ Performance 2001-Present

NXTQ Performance vs. S&P Midcap Indexes thru March 30, 2020

MIDG MID NXTQ

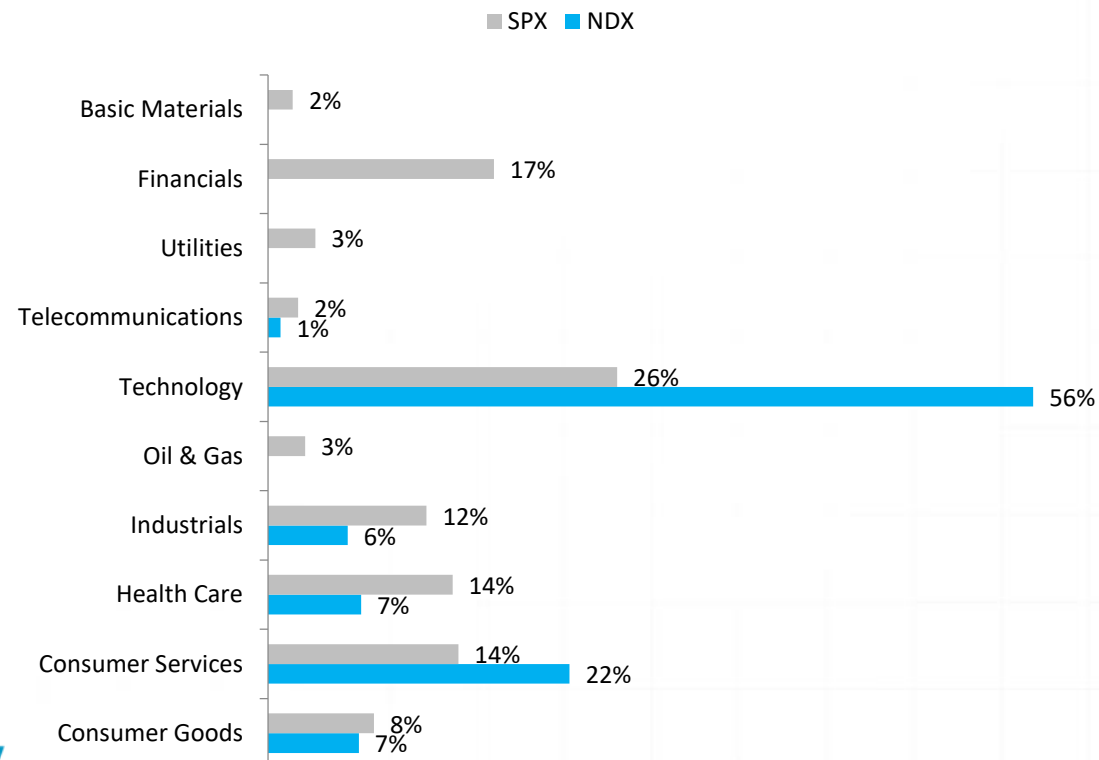


- NXTQ Index Values backtested from 3/16/2001 – 10/9/2007; index launched on 10/10/2007
- Cumulative outperformance gap of 275% vs. S&P 400 Midcap Growth Index (MIDG), 314% vs. S&P 400 Midcap Index (MID)
- Lowest point of cumulative underperformance vs. MIDG: gap of -19.0% on 5/31/2002, vs. MID: gap of -24.2% on 7/1/2002

Sector Differentials

- As we know, NDX's sector composition is disproportionately skewed towards Technology and, to a lesser extent, Consumer Services, when compared with SPX

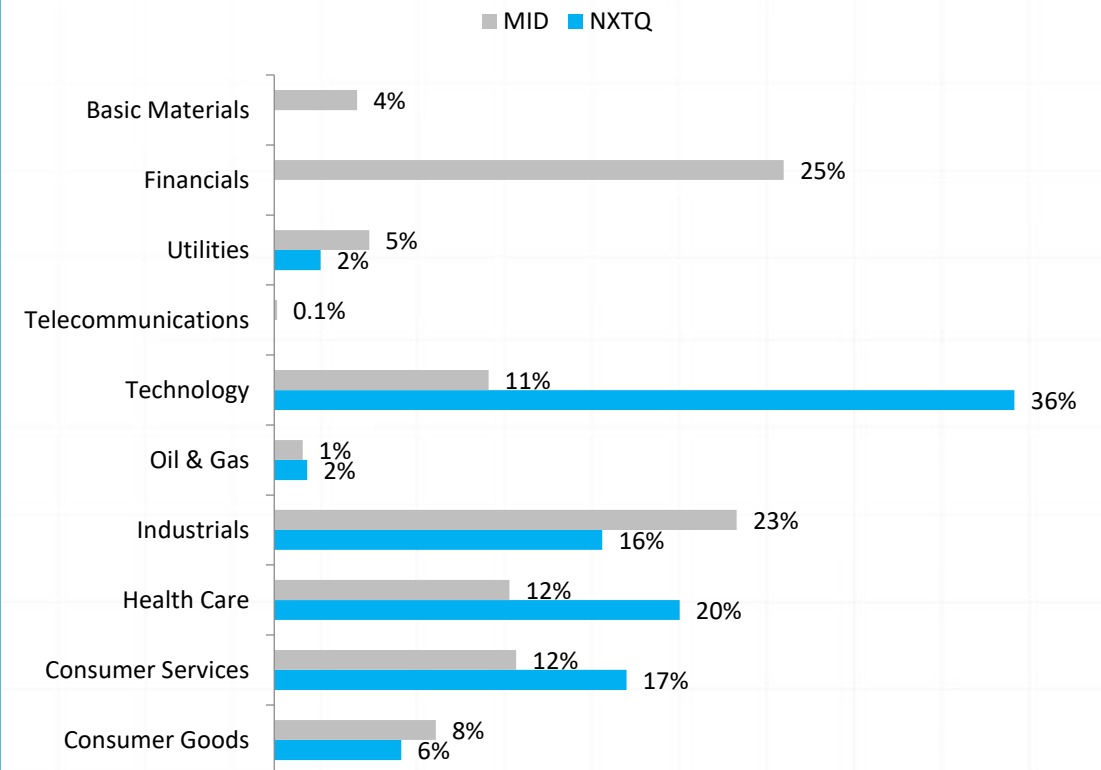
Industry (ICB) Breakdown as of February 28, 2020



Source: Nasdaq, FactSet, Bloomberg

- NXTQ is also skewed towards Technology, more than 3x vs. MID, but less overall than NDX, with offsetting exposures in Health Care and Industrials

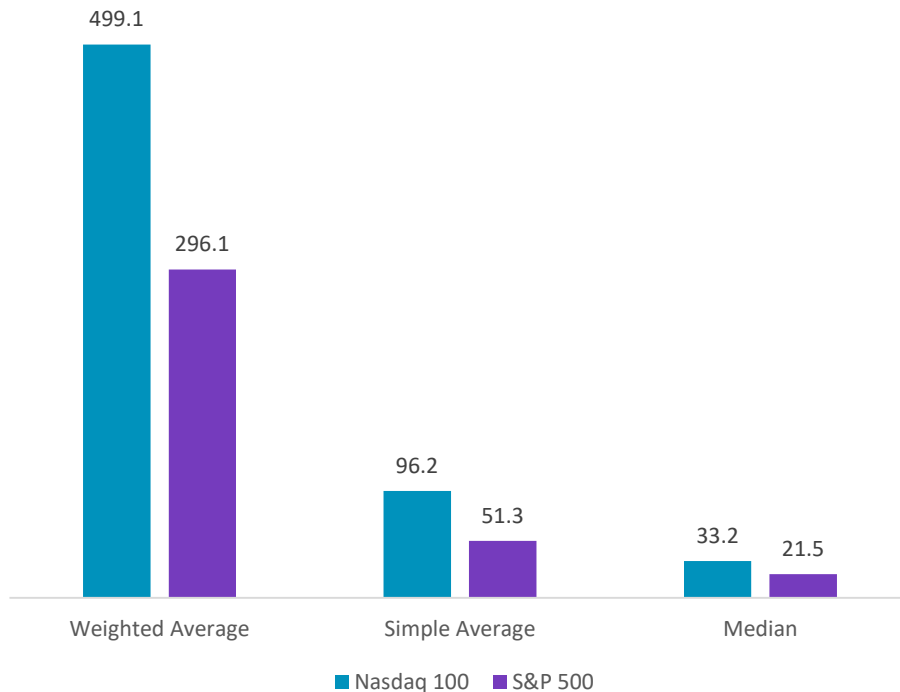
Industry (ICB) Breakdown as of February 28, 2020



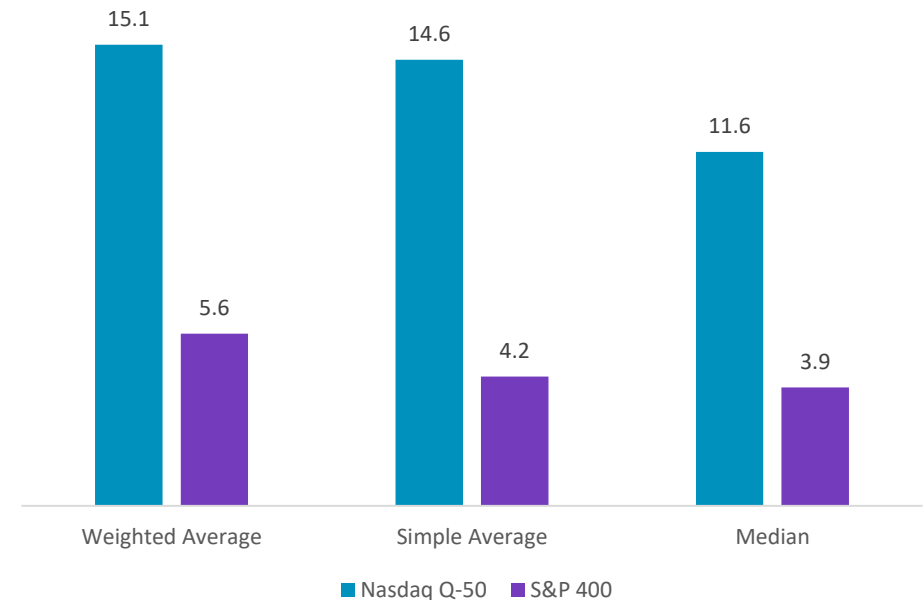
Market Capitalization

- The Nasdaq Q-50 Index tilts much smaller than the Nasdaq-100, but still meaningfully above the S&P Midcap 400. This tilt towards smaller, up-and-coming companies that have nonetheless broken into the ranks of large caps, is a key ingredient to the index's positioning towards the next generation of innovators.

Constituent Market Caps as of 2/28/2020, \$Bns



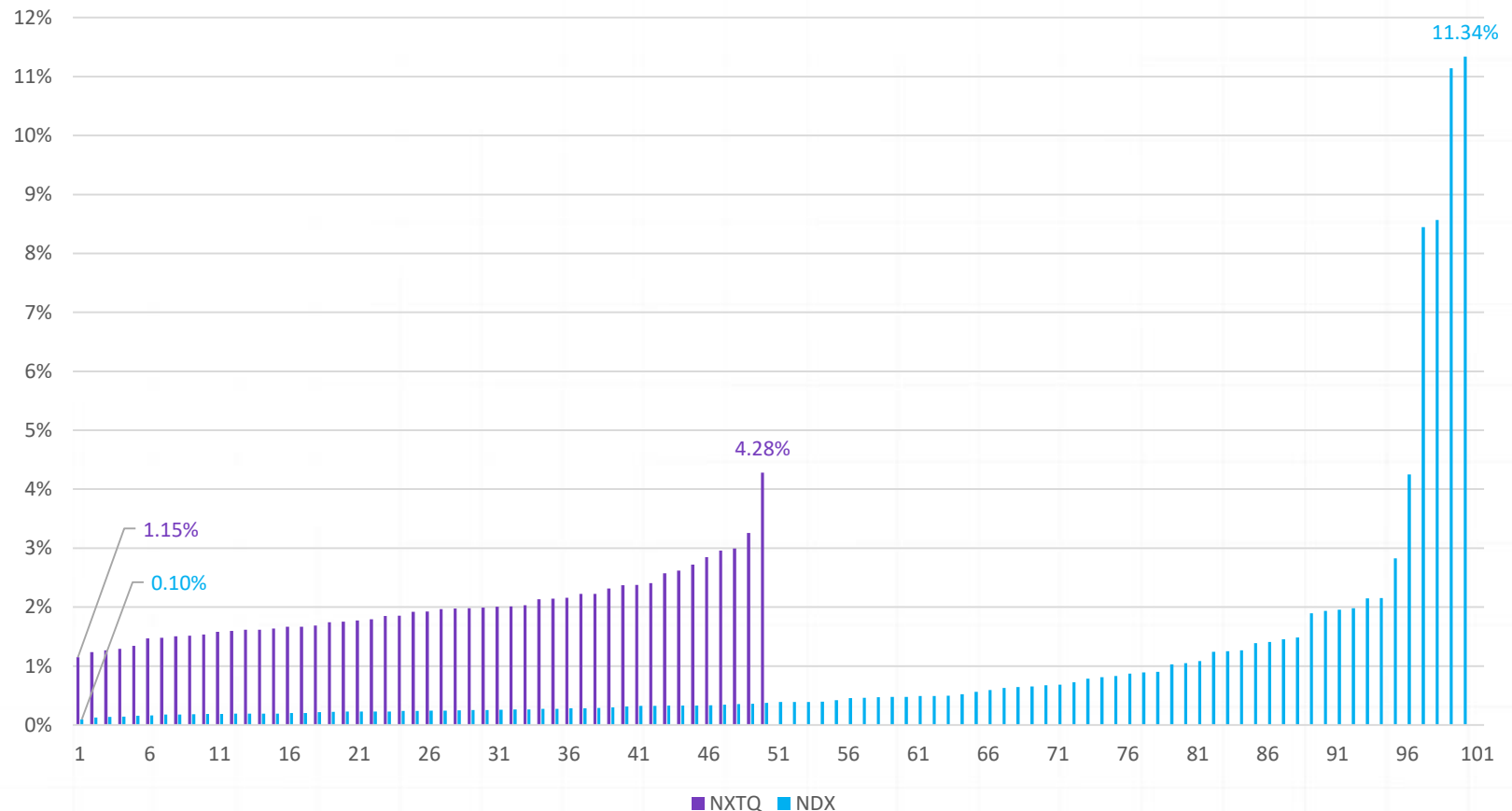
Constituent Market Caps as of 2/28/2020, \$Bns



Q-50 Position Sizing: Upper-Middle Sweet Spot

- NXTQ is market-cap weighted, in-line with benchmarks like NDX & SPX
- Because it excludes the mega-caps and is more concentrated than the S&P 500/400, the range of constituent market caps is much tighter (approximately \$7-25Bn as of February 28, 2020)
- As a result, every position receives a weight of at least 1% (vs. as low as 0.1% for NDX), and no big outliers

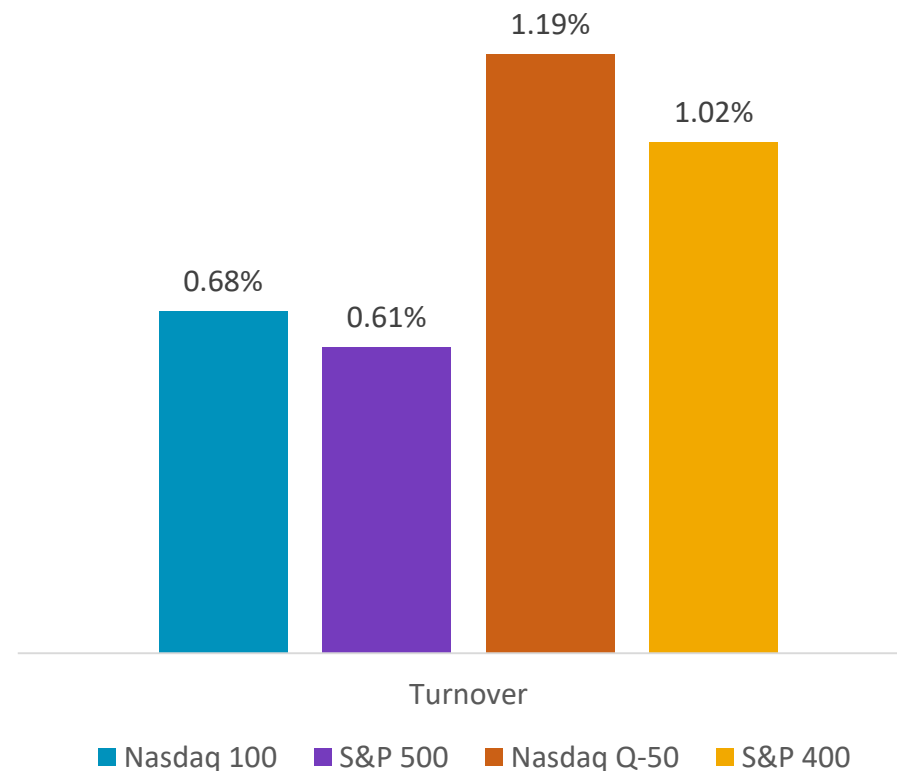
NDX vs. NXTQ Constituent Weights, Sorted Smallest to Largest



Liquidity Characteristics

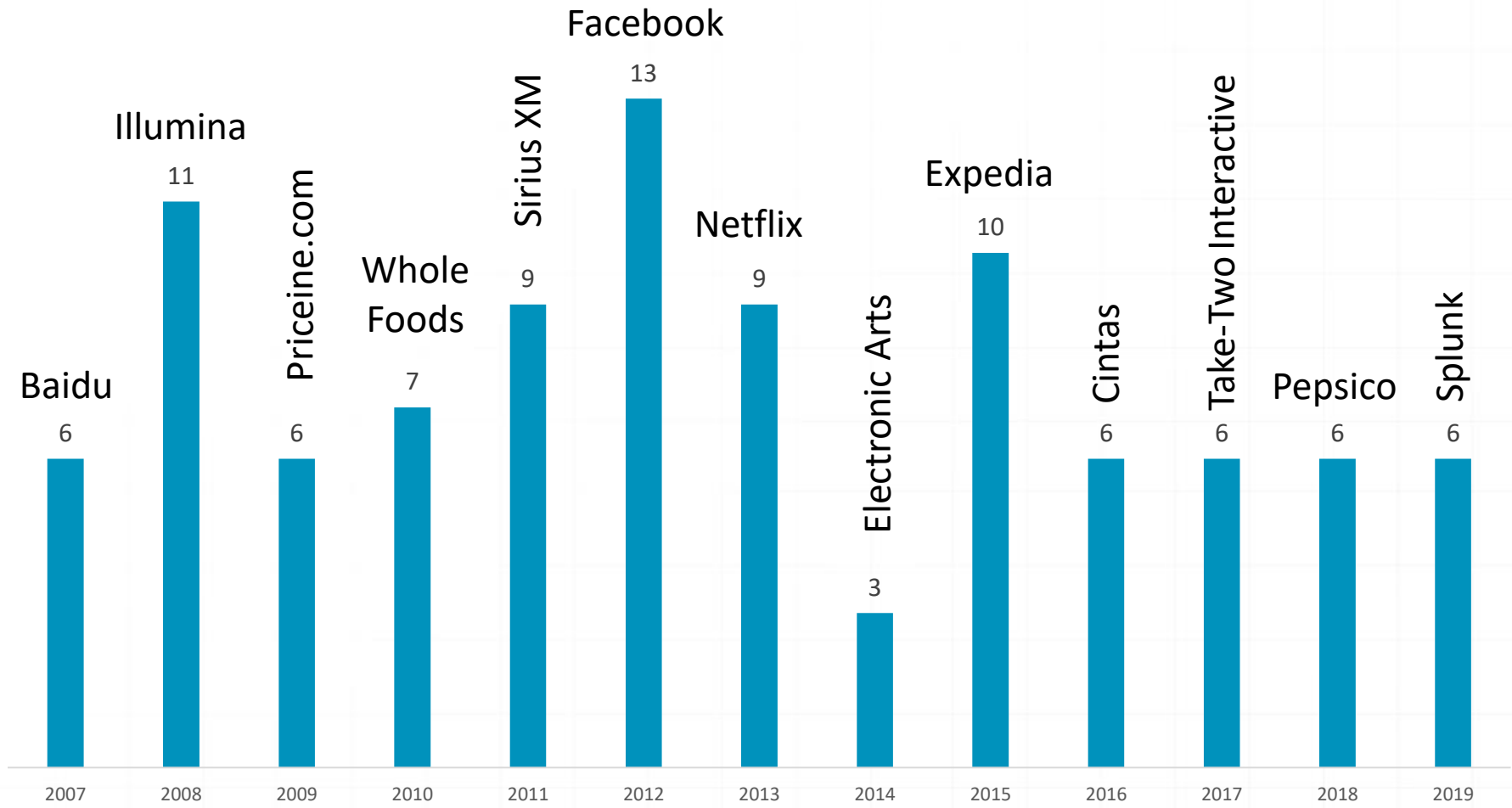
- Our final comparative chart illustrates the liquidity characteristics of the securities in each index as measured by turnover, which is the average daily dollar trading volume (trailing 6 month) for an index divided by its average market capitalization, as of February 28, 2020.
- Although the Nasdaq Q-50 Index is skewed towards the lower end of the capitalization spectrum, the index touts greater constituent liquidity than both the Nasdaq-100 and the S&P 500.

Constituent Liquidity as of 2/28/2020



Q-50 Names Added to Nasdaq-100, 2007-2019

- Since 2007, a total of 98 constituents in NXTQ have “graduated” into NDX¹
- On average, these names increased by 14.1% on a price-return basis in the next 12 months and by 48.3% in the next 36 months; the median increase was 14.3% and 34.1%, respectively²
- In the 12 months *prior* to “graduating,” these names increased 65.5% on average; median = 56.0%
- Only 3 of these names were eventually retired from the Nasdaq-100:
 - Hasbro
 - Mylan
 - J.B. Hunt Transport Services



Source: Nasdaq, FactSet, Bloomberg



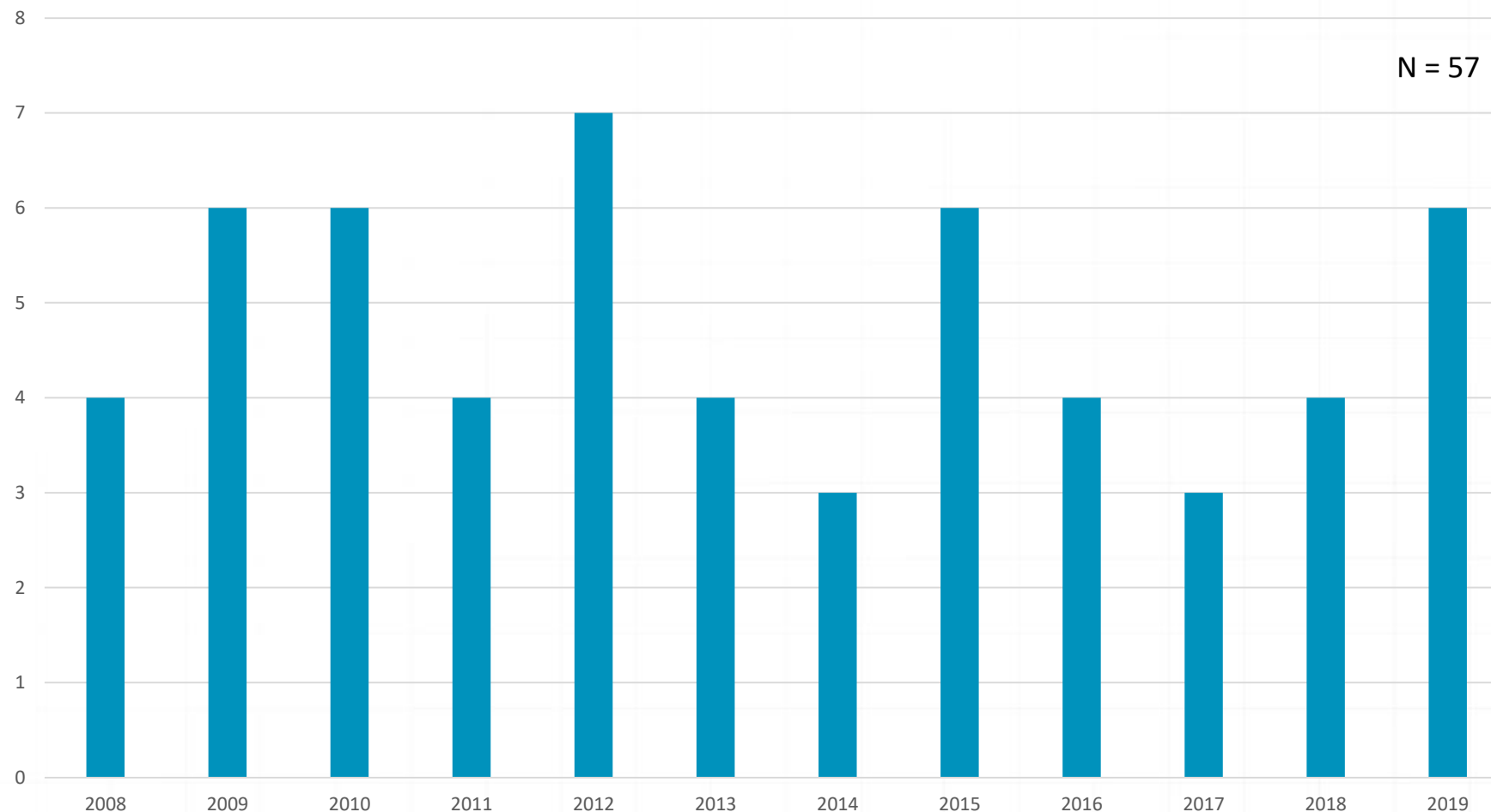
1. Constituent counts by year include some double-counting, for example Illumina was originally moved into the Nasdaq-100 in 2008, subsequently kicked back out to Q-50, then moved back in 2013. Of the 98 constituent “graduations,” there were 90 unique companies. In addition to Illumina, Ctrip.com International; Green Mountain Coffee Roasters; Hansen Natural; Hologic; J.B. Hunt Transport Services; Netflix; and NXP Semiconductors moved from the Q-50 into the Nasdaq-100 twice during the 2007-2019 period.

2. In the case of next-12-month statistics, names added in 2019 were excluded from averages and medians; in the case of next-36-month statistics, names added in 2018 or 2019 were excluded

Q-50 Names Taken Back from Nasdaq-100

Additions to the Q-50 from the Nasdaq-100 by Year Since 2008

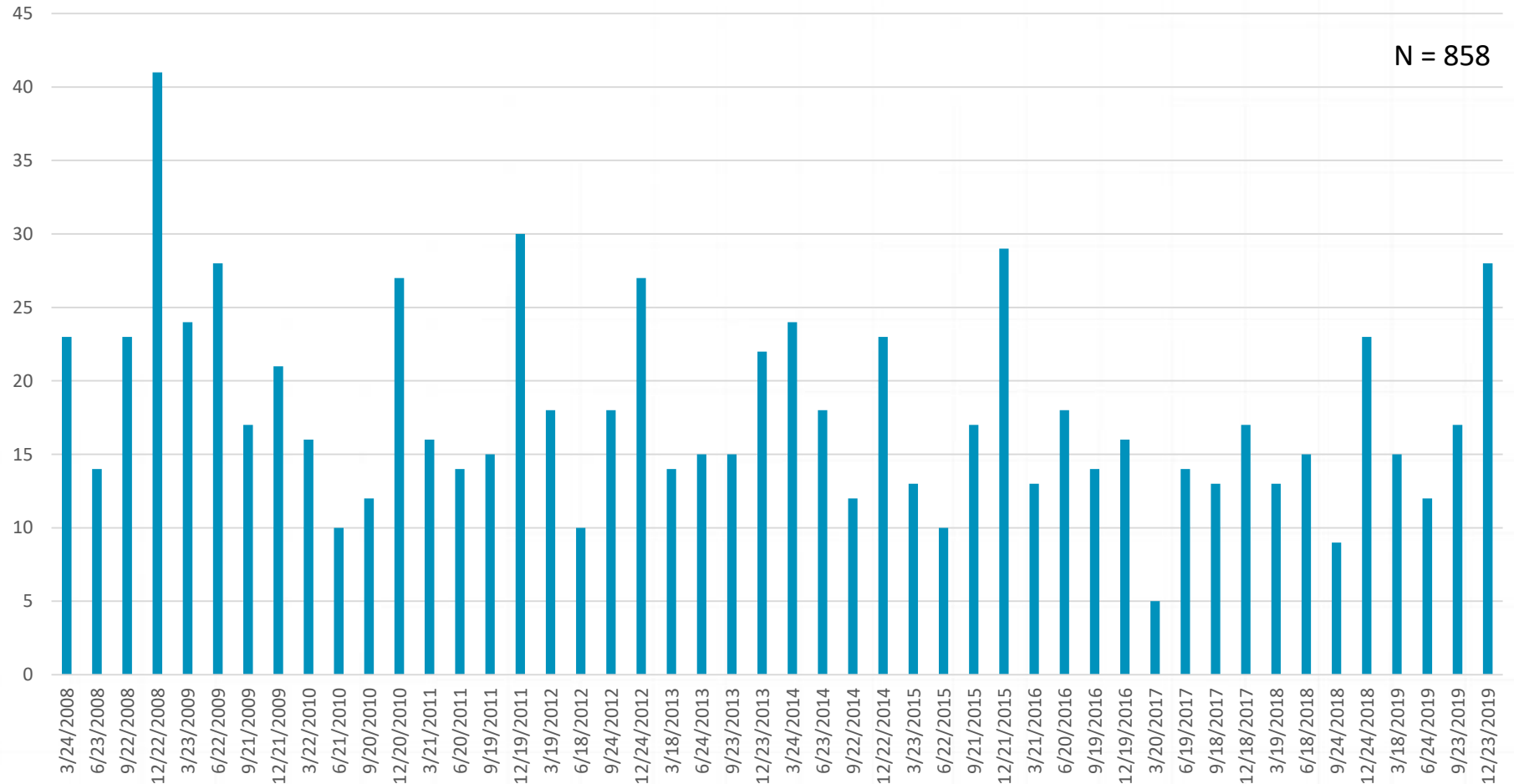
- Since year-end 2007, a total of 57 constituents of NDX have been pushed back into NXTQ
- On average, these names increased by 25.9% on a price-return basis in the next 12 months and by 70.8% in the next 36 months
- For comparison, the 449 names added to NXTQ over this same time period that did not transfer from NDX increased by 11.0% on average during the following 12 months and by 30.0% in the next 36 months



Q-50 Quarterly Turnover, 2008-2019

- Since year-end 2007, a total of 897 constituents have been added or deleted to NXTQ, or on average, 18.7 per quarter
- Of these, 858 occurred during actual quarterly reconstitution events, or 17.9 on average
- Of these, 306 additions/deletions occurred during December reconstitutions, or 21.9 on average – reflecting elevated activity from the annual NDX reconstitution
- March/ June/ September reconstitutions averaged 15.4 constituents

Additions + Deletions, Quarterly Reconstitutions Since 2008

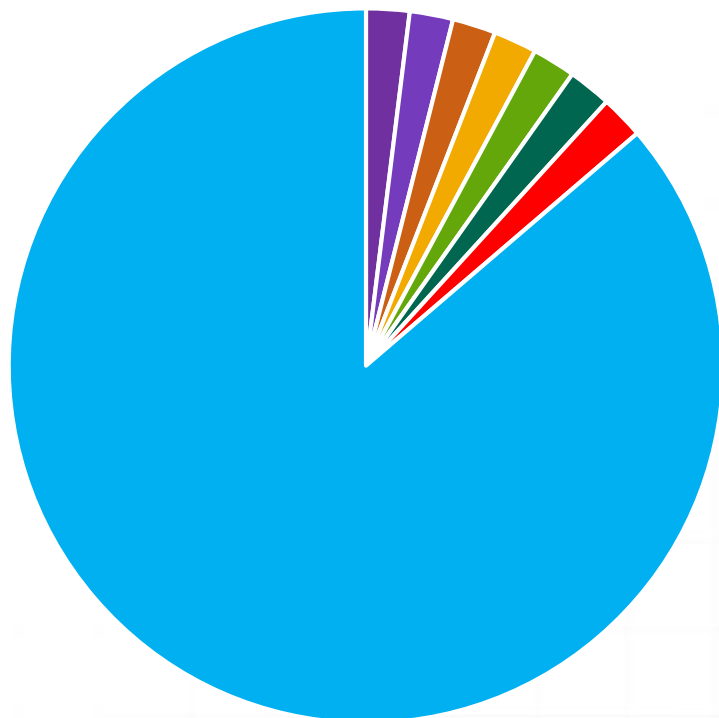


Globality Characteristics

- The Nasdaq Q-50 exhibits similar global diversification to that of the Nasdaq-100, with 44 out of 51 constituents based in the US representing 85% of index weights vs. 91 out of 103 constituents representing 97% of the NDX index weights

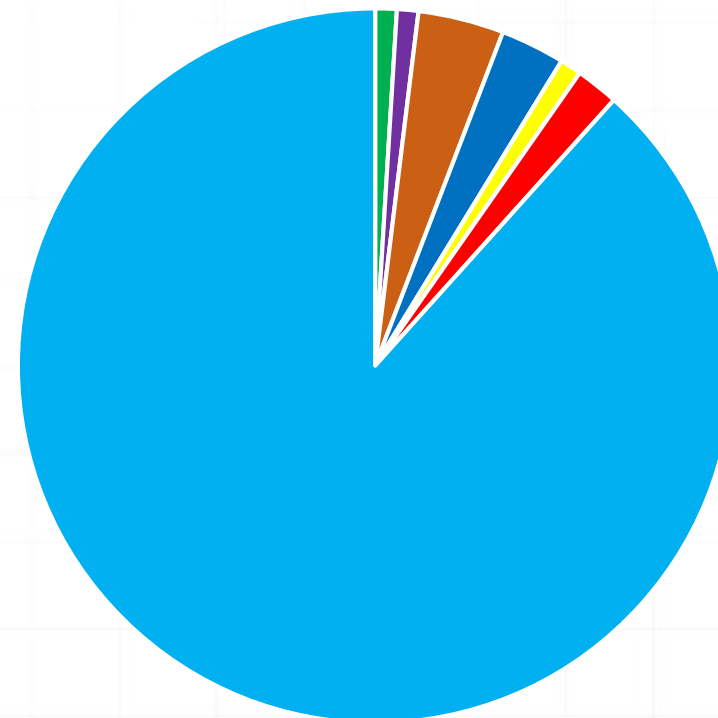
NXTQ Constituents by Country of Domicile as of 2/28/20

■ Canada ■ Switzerland ■ China ■ France ■ UK ■ Ireland ■ Netherlands ■ US



NDX Constituents by Country of Domicile as of 2/28/20

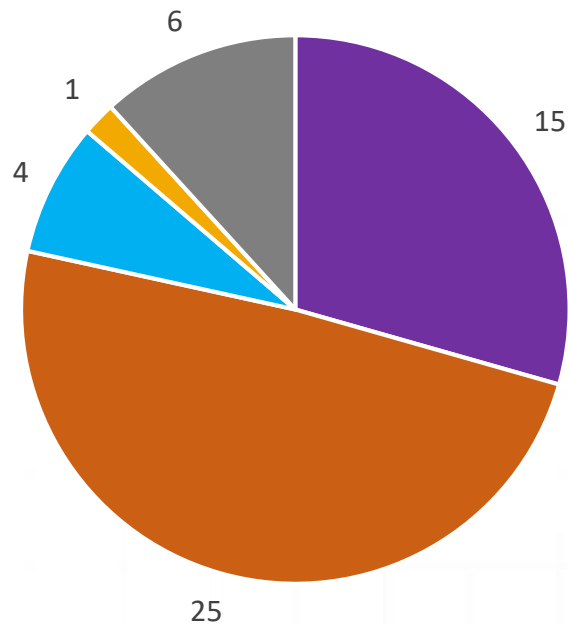
■ Argentina ■ Canada ■ China ■ UK ■ Israel ■ Netherlands ■ US



Size & Style Overlap

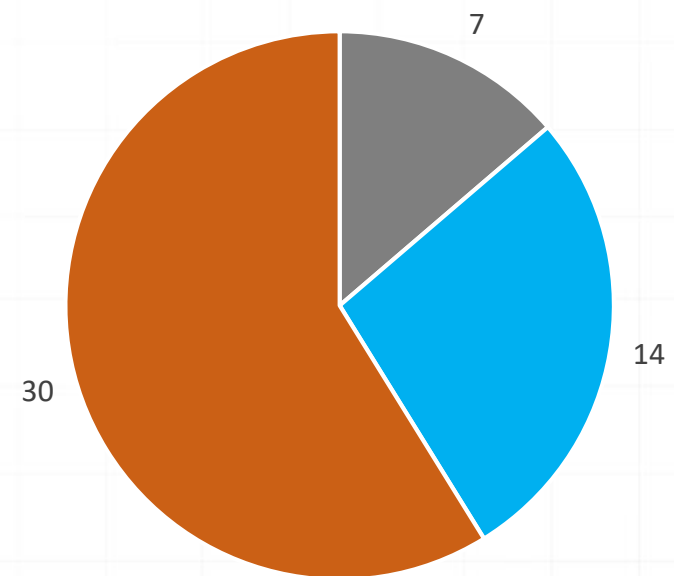
- The Nasdaq Q-50 exhibits blended market-capitalization characteristics, with 25 out of 51 constituents overlapping with the S&P 500 (SPX) as of February 28, 2020. There is also a strong style tilt, with 30 “Growth” names vs. only 14 “Value.”
 - Additionally, 4 constituents overlapped with MDY (ETF tracking S&P’s Midcap 400 Index), while 15 overlapped with IWR (ETF tracking Russell’s MidCap Index). 1 name overlapped with the STOXX-600 Index of European Large Caps.¹
 - Overall, 45 out of 51 constituents overlapped with Nasdaq’s own US Benchmark of Large and Mid-Cap companies (NQUSBLM).²

NXTQ Constituents by Size Classification



■ IWR ■ SPX ■ MDY ■ STOXX ■ Unmapped

NXTQ Constituents by Style Classification



■ Non-US ■ Nasdaq US Multi Cap Value Index ■ Nasdaq US Multi Cap Growth Index

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