

Nasdaq Q-50 Index

Investing in the Next Generation of Innovators

 Nasdaq | REWRITE TOMORROW

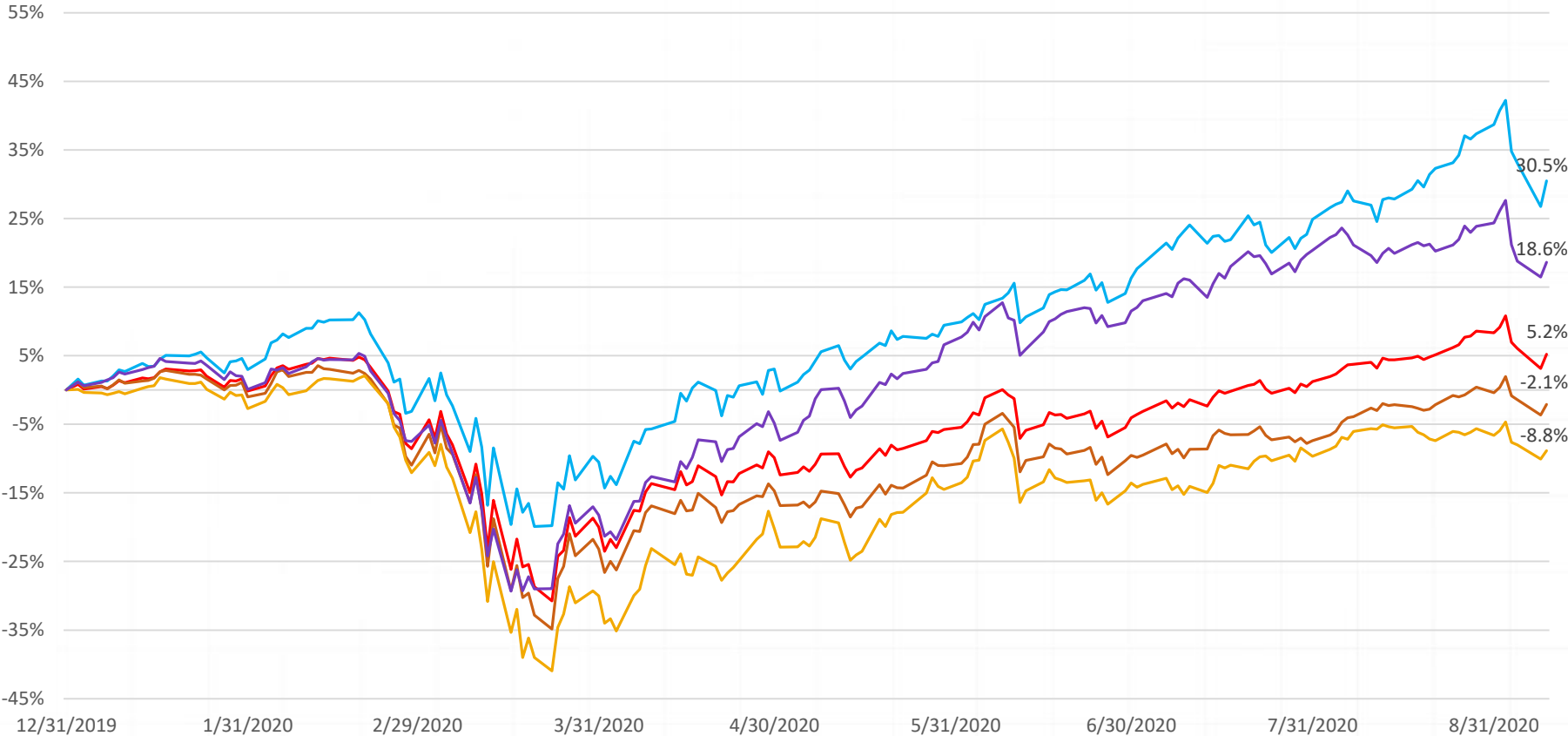
Index Overview

- 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 September 9

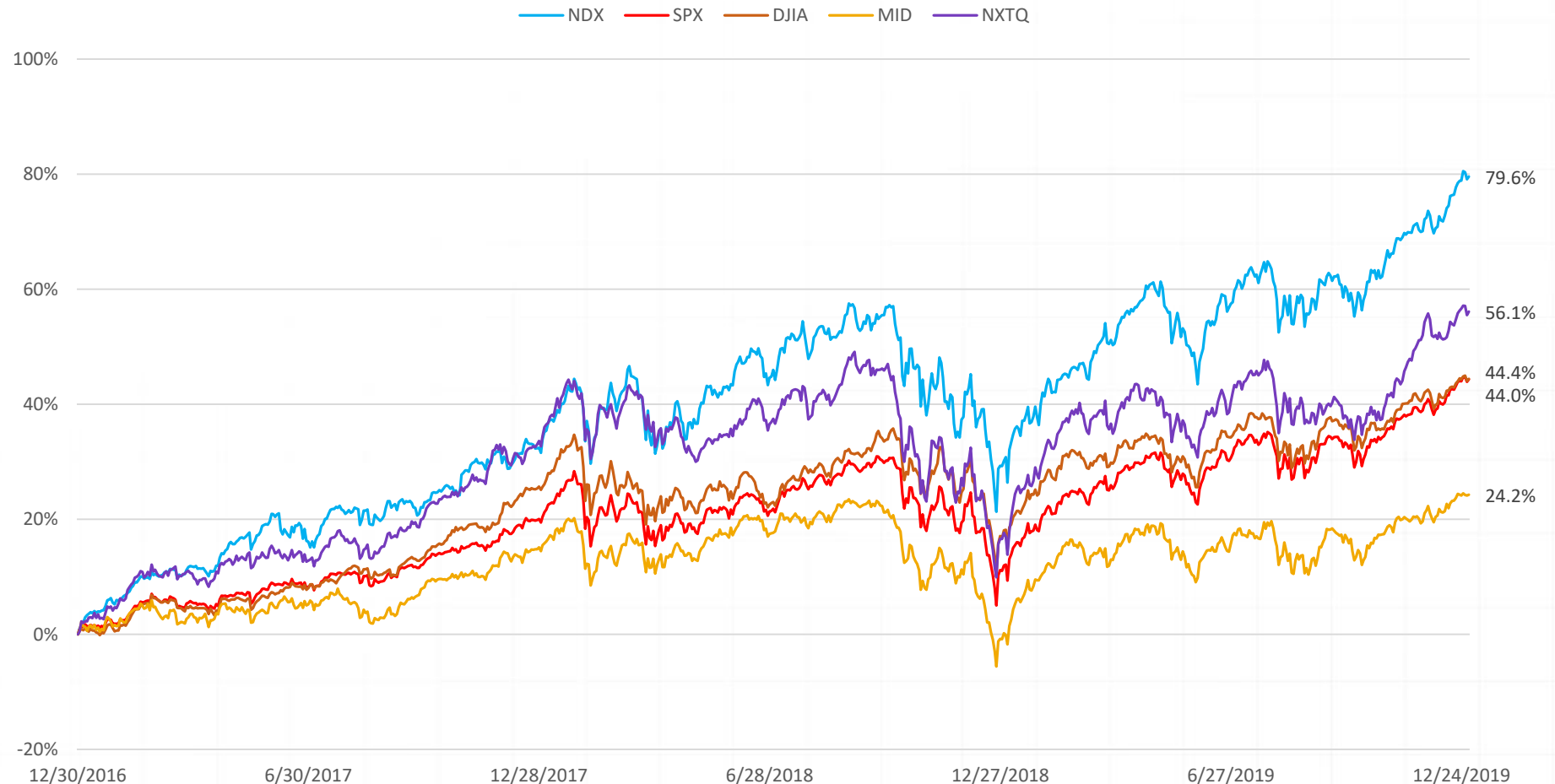
— NDX — SPX — DJIA — MID — NXTQ



- In the YTD period thru September 9, NXTQ outperformed the S&P 400 Mid Cap Index (MID) by 27.5%, while also significantly outperforming the large-cap S&P 500 (SPX) and Dow Jones Industrial Average (DJIA)
- Consistent outperformance observed in the run-up to the initial market peak on February 19, as well as during the downturn ending in late March and subsequent recovery

NXTQ Performance 2017-2019

NXTQ Performance vs. Market Benchmarks 2017-2019

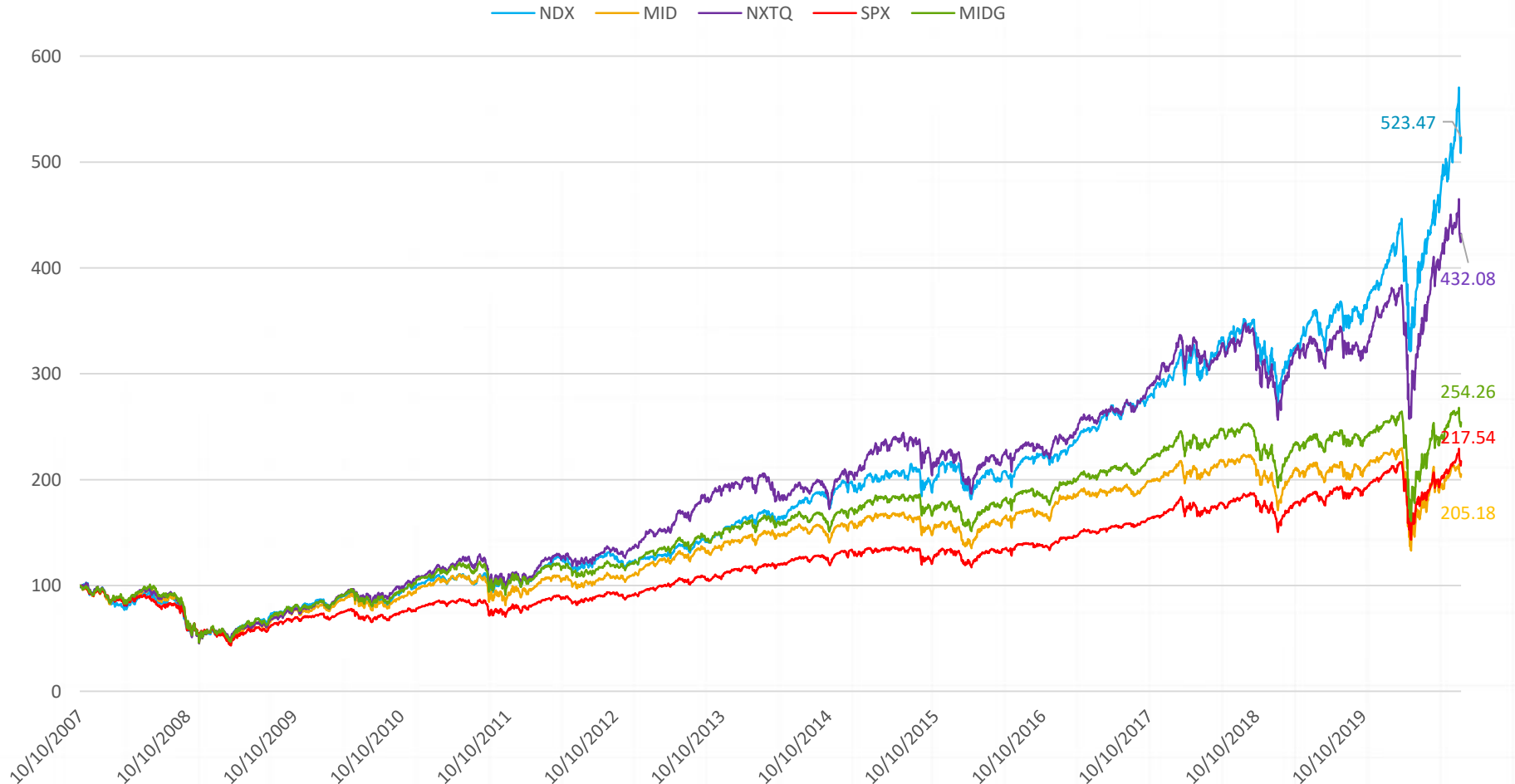


- In the preceding three-year period thru December 31, NXTQ outperformed the S&P 400 Mid Cap Index (MID) by a whopping 32%, or more than double, while also outperforming the large-cap S&P 500 (SPX) and Dow Jones Industrial Average (DJIA) by ~12% each
- NXTQ trailed only the Nasdaq-100 (NDX) by 23.5%

NXTQ Performance From Launch to Present

NXTQ Cumulative Performance vs. Market Benchmarks thru September 9, 2020

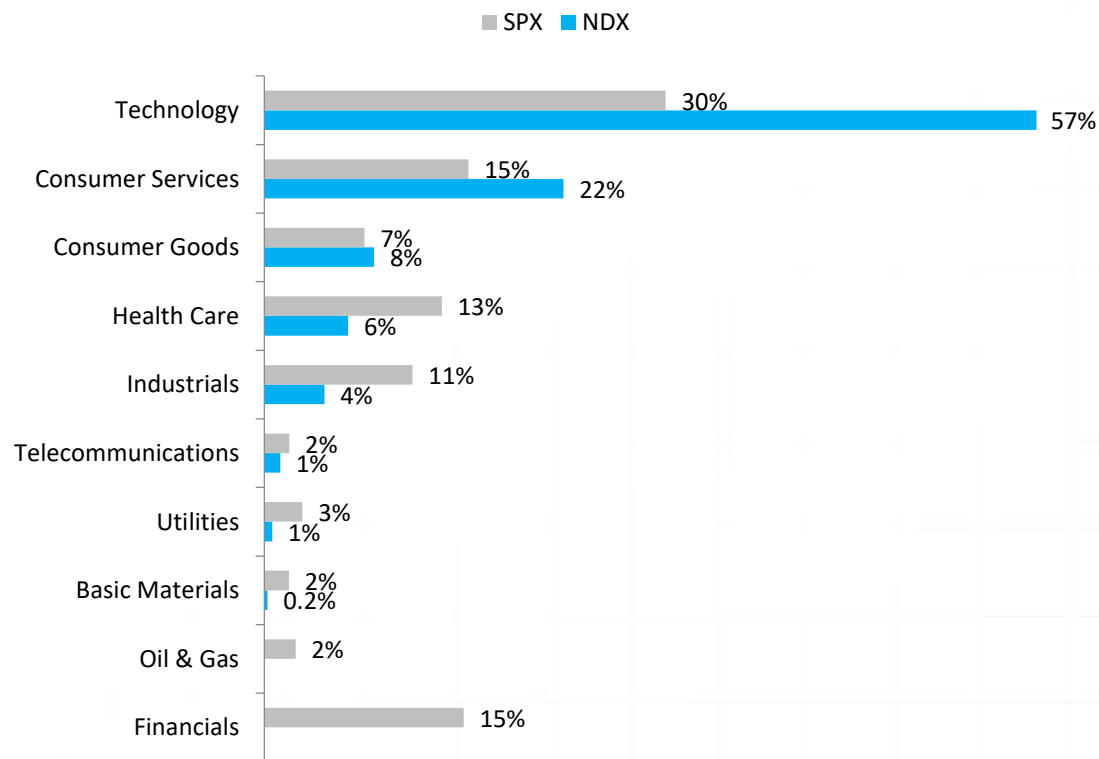
- NXTQ Index launched on October 10, 2007
- As of September 9, 2020, it had increased by 332% on a price-return basis
- Cumulative outperformance gap of 178% vs. S&P 400 Midcap Growth Index (MIDG), 227% vs. S&P 400 Midcap Index (MID), and 215% vs. S&P 500
- Lowest point of cumulative underperformance vs. MIDG: gap of -5.6% on 6/18/2008; vs. MID: gap of -2.8% on 9/30/2008



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

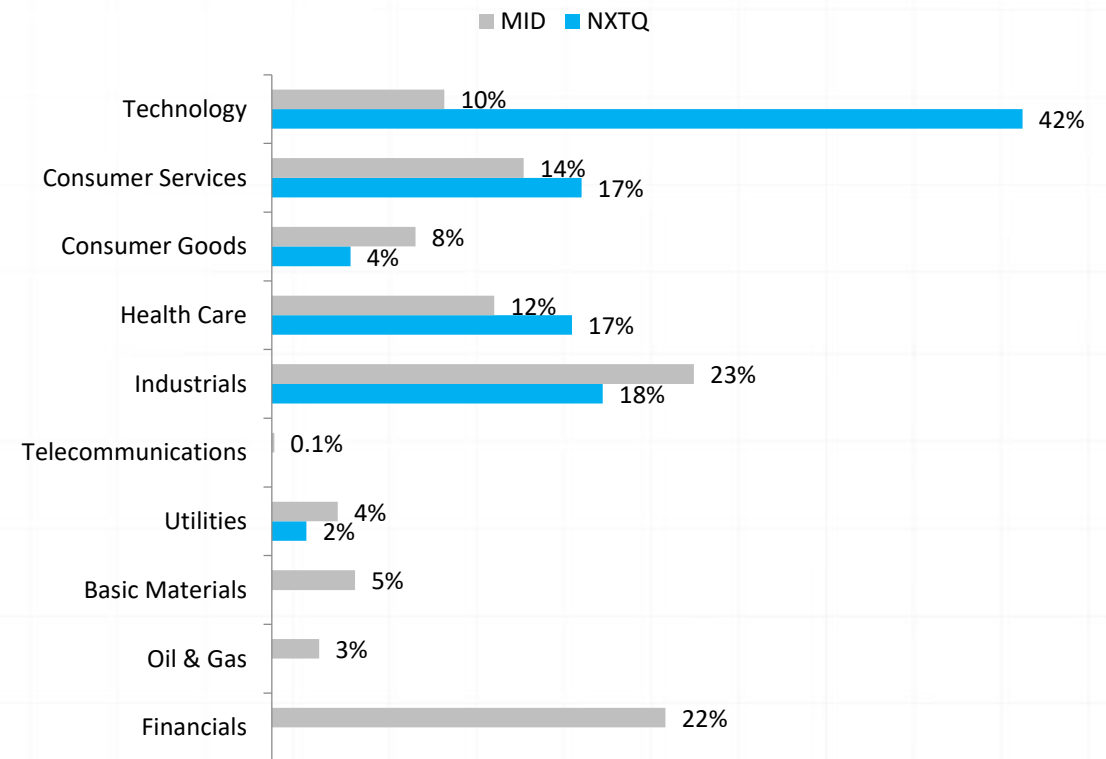
Industry (ICB) Breakdown as of August 31, 2020



Source: Nasdaq, FactSet, Bloomberg

- NXTQ is also skewed towards Technology, more than 4x vs. MID, but less overall than NDX, with offsetting exposures in Health Care and Industrials

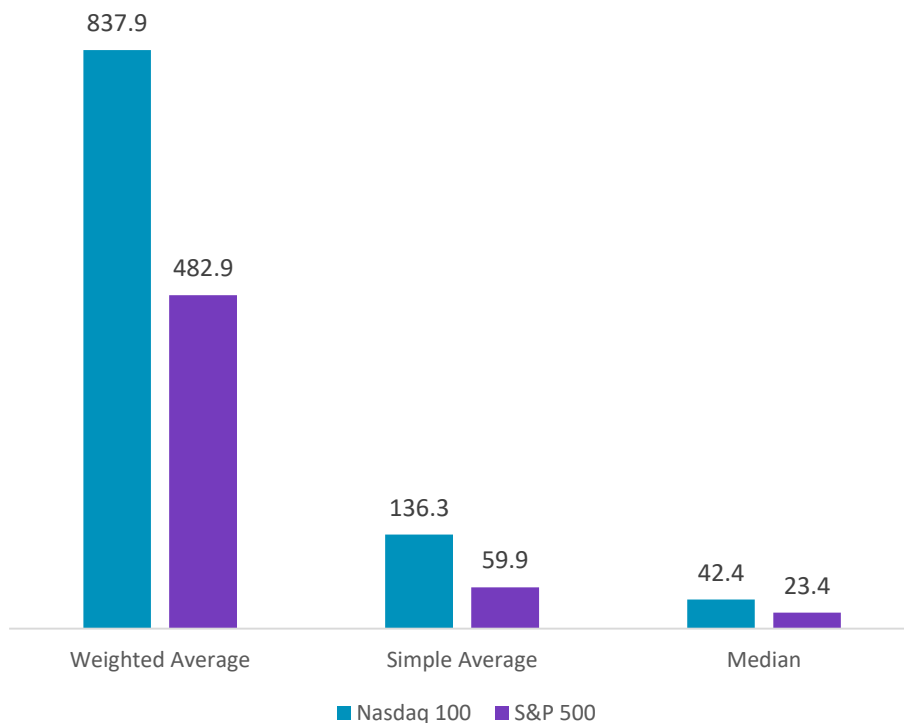
Industry (ICB) Breakdown as of August 31, 2020



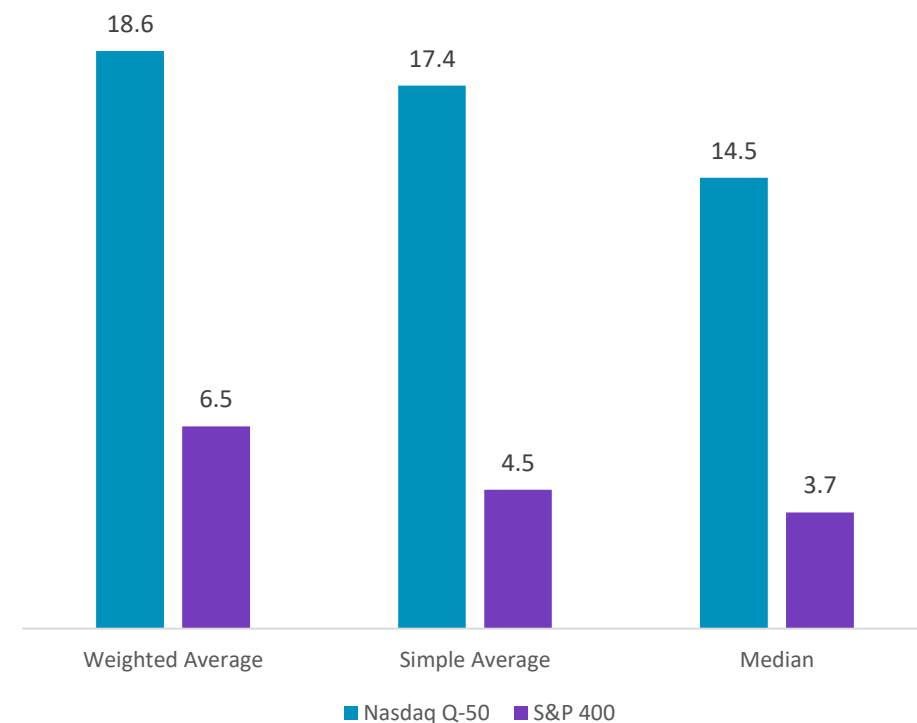
Market Capitalization

- 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 8/31/2020



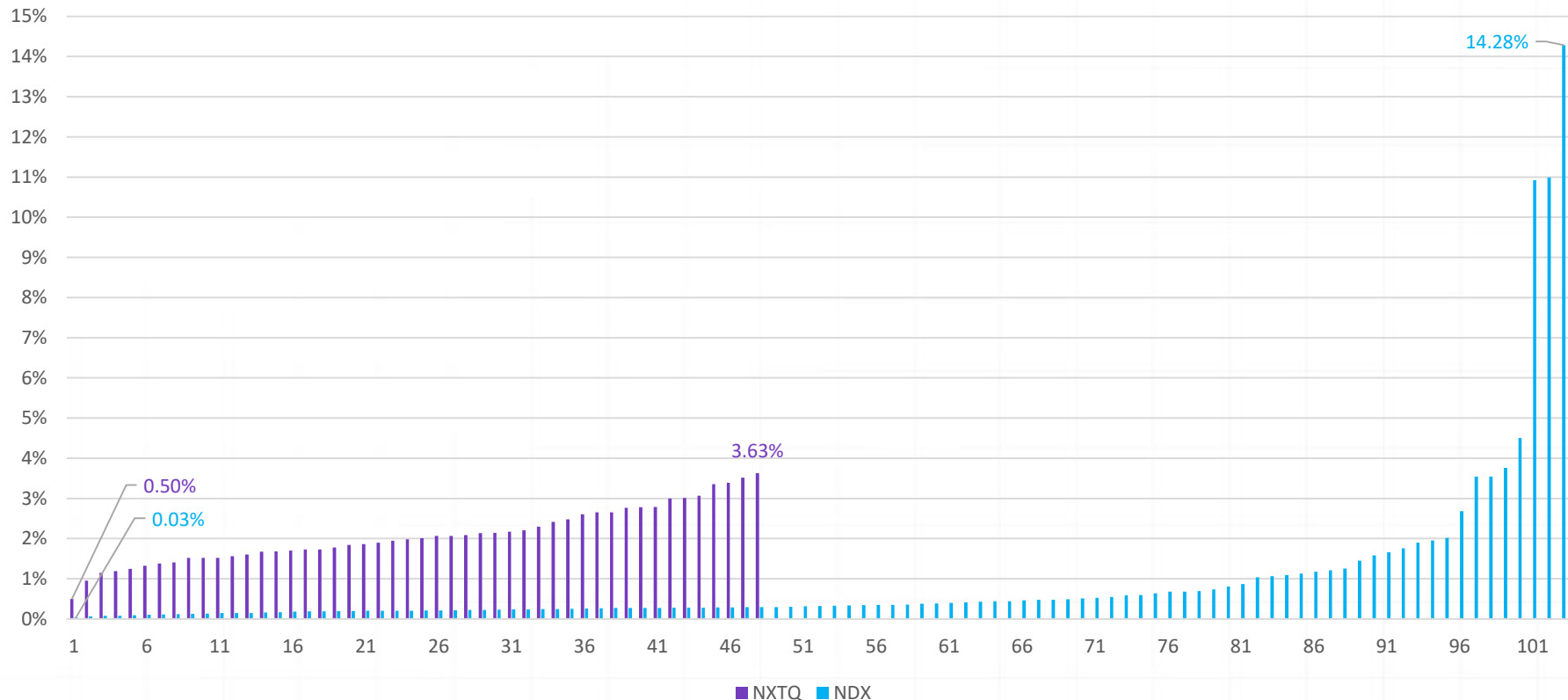
Constituent Market Caps as of 8/31/2020



Q-50 Position Sizing: Upper-Middle Sweet Spot

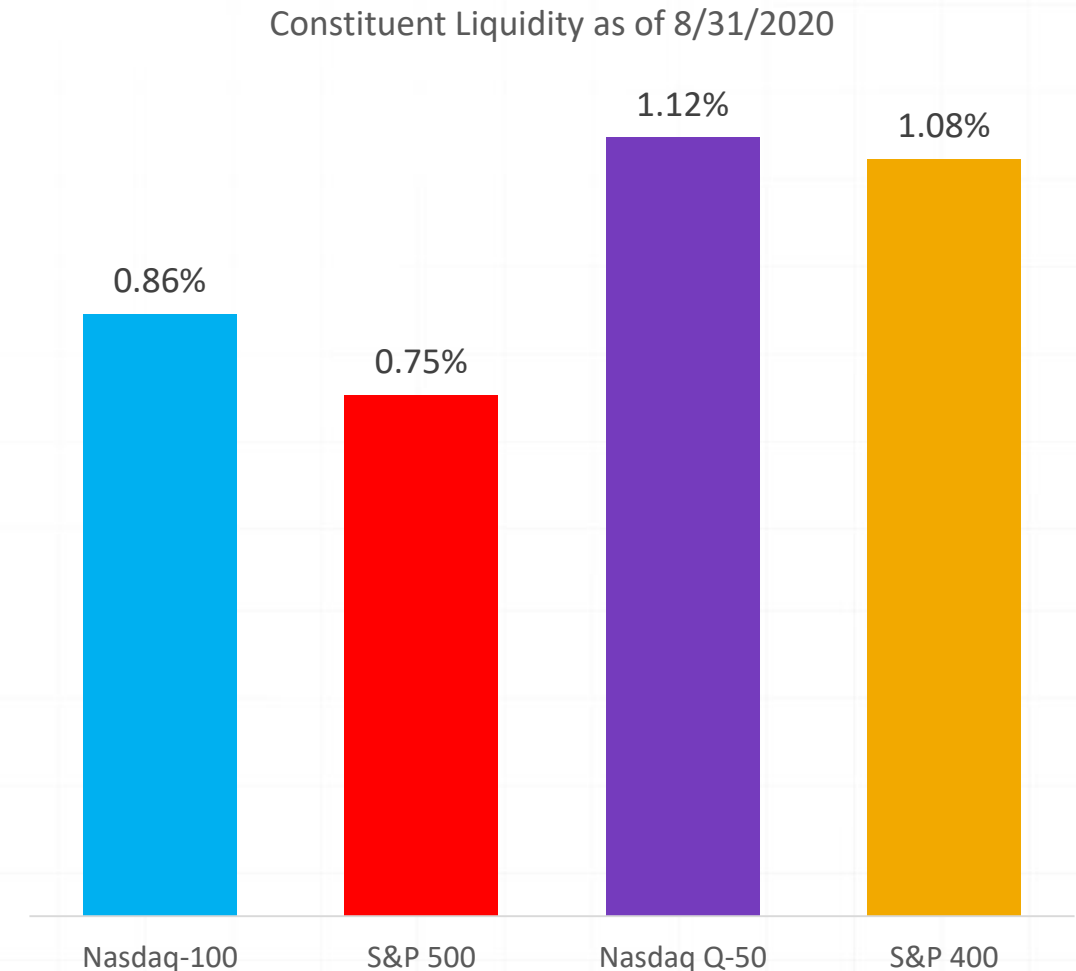
- NXTQ is market-cap weighted, in-line with benchmarks like NDX & SPX
- Because it excludes the mega-caps and is more concentrated than the S&P 500/400, the range of constituent market caps is much tighter (approximately \$8-26Bn as of August 31, 2020)
- As a result, every position receives a weight of at least 0.5% (vs. as low as 0.03% for NDX), and no big outliers

NDX vs. NXTQ Constituent Weights, Sorted Smallest to Largest



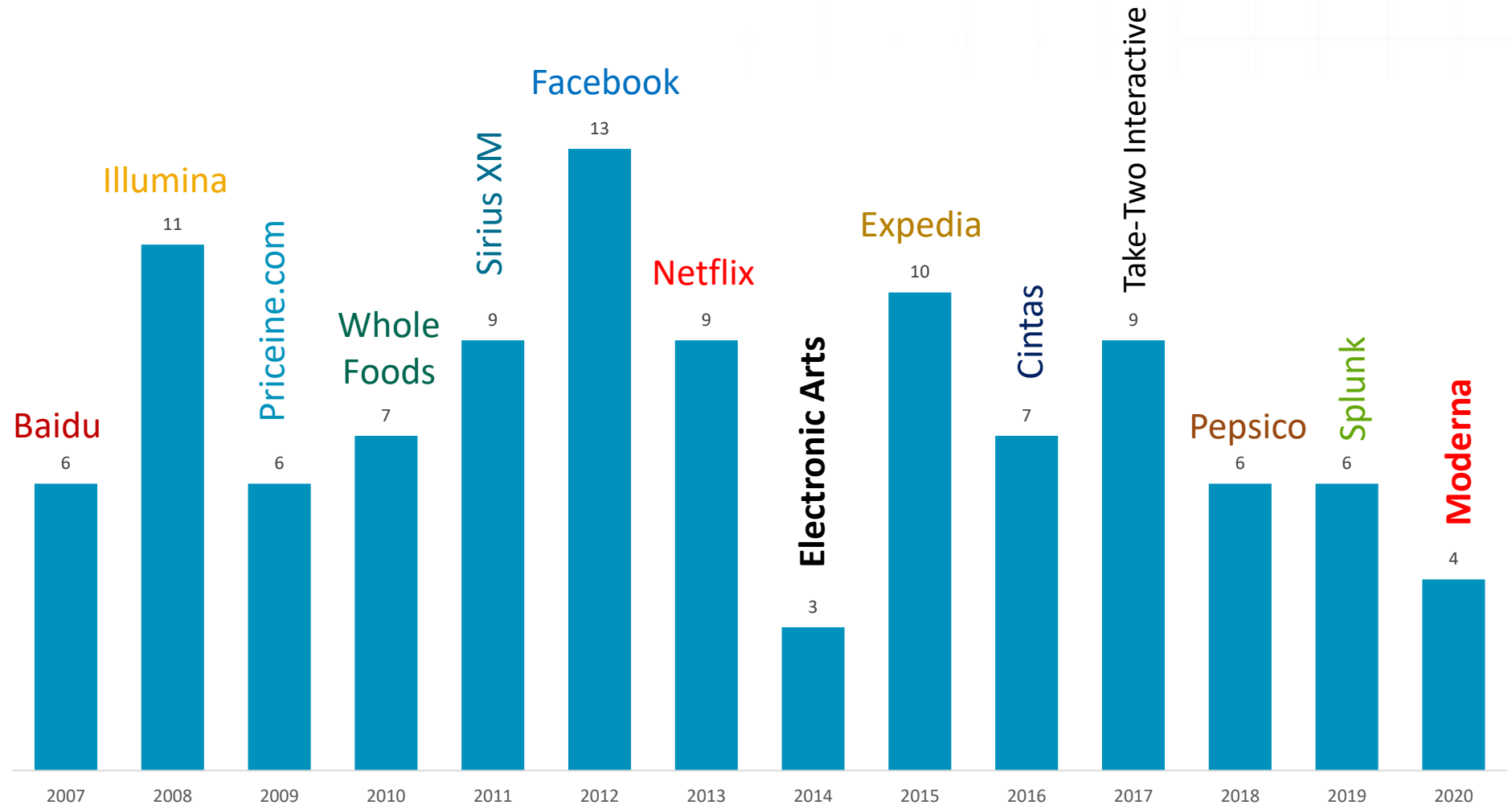
Liquidity Characteristics

- 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 August 31, 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.



Q-50 Names Added to Nasdaq-100, 2007-2020

- Since index launch in 2007, a total of 106 constituents in NXTQ have “graduated” into NDX¹
- On average, these names increased by 18.3% on a price-return basis in the next 12 months and by 57.8% in the next 36 months; the median increase was 15.9% and 39.0%, respectively²
- In the 12 months *prior* to “graduating,” these names increased 72.5% on average; median = 58.0%
- Only 3 of these names were eventually retired from the Nasdaq-100:
 - Hasbro
 - Mylan
 - J.B. Hunt Transport Services



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 106 constituent “graduations,” there were 98 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 2007-2020 period.

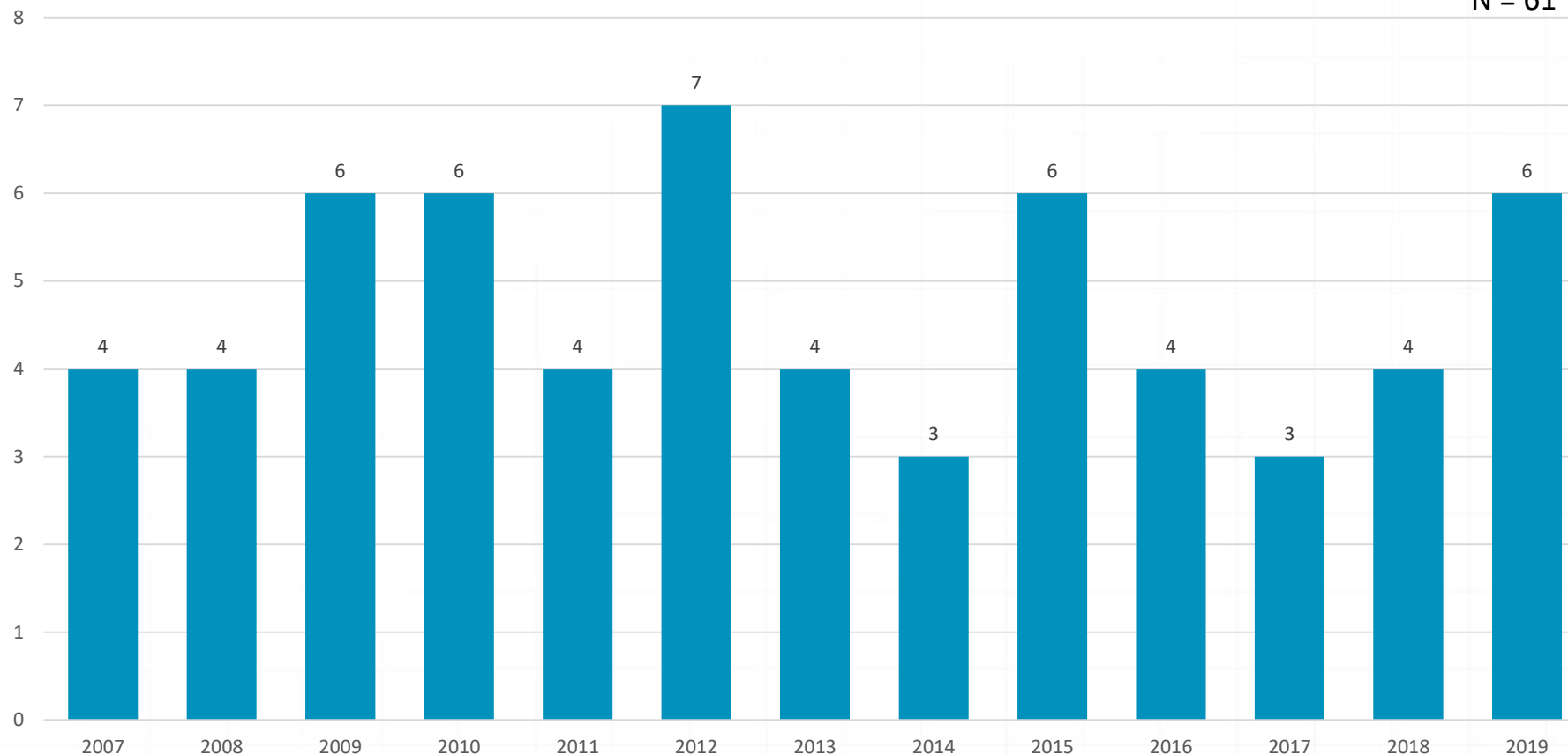
2. In the case of next-12-month statistics, names added in 2020 were excluded from averages and medians; in the case of next-36-month statistics, names added in 2018-2020 were excluded

Q-50 Names Taken Back from Nasdaq-100

Additions to the Q-50 from the Nasdaq-100 by Year Since 2007

N = 61

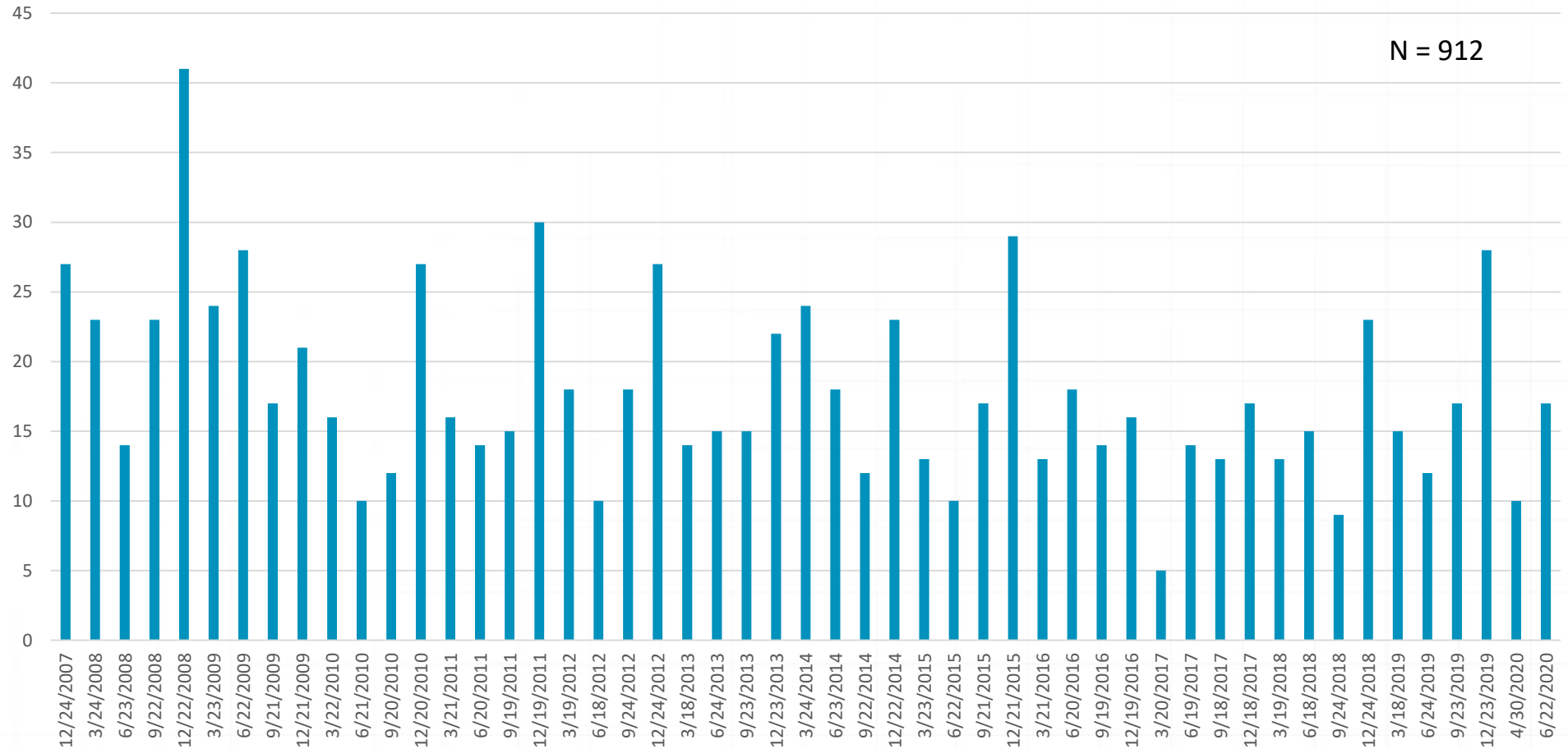
- Since index launch in 2007, a total of 61 constituents of NDX have been pushed back into NXTQ
- On average, these names increased by 22.6% on a price-return basis in the next 12 months and by 87.2% in the next 36 months
- For comparison, the 416 names added to NXTQ over this same time period that did not transfer from NDX increased by 12.8% on average during the following 12 months and by 40.9% in the next 36 months



Q-50 Quarterly Turnover, 2007-2020

- Since index launch in 2007, a total of 956 constituents have been added to or deleted from NXTQ, or on average, 18.7 per quarter
- Of these, 912 occurred during actual quarterly reconstitution events, or 17.0 on average
- Of these, 331 additions/deletions occurred during December reconstitutions, or 25.5 on average – reflecting elevated activity from the annual NDX reconstitution
- March/ June/ September reconstitutions averaged 15.3 constituents

Additions + Deletions, Quarterly Reconstitutions Since 2007

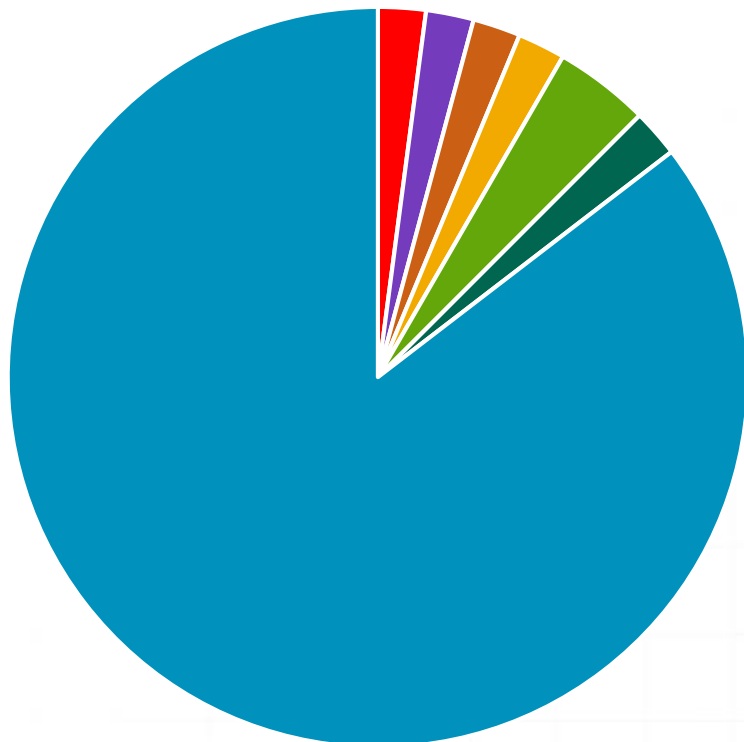


Globality Characteristics

- The Nasdaq Q-50 exhibits similar global diversification to that of the Nasdaq-100, with 41 out of 48 constituents based in the US representing 85% of index weights vs. 91 out of 103 constituents representing 97% of the NDX index weights

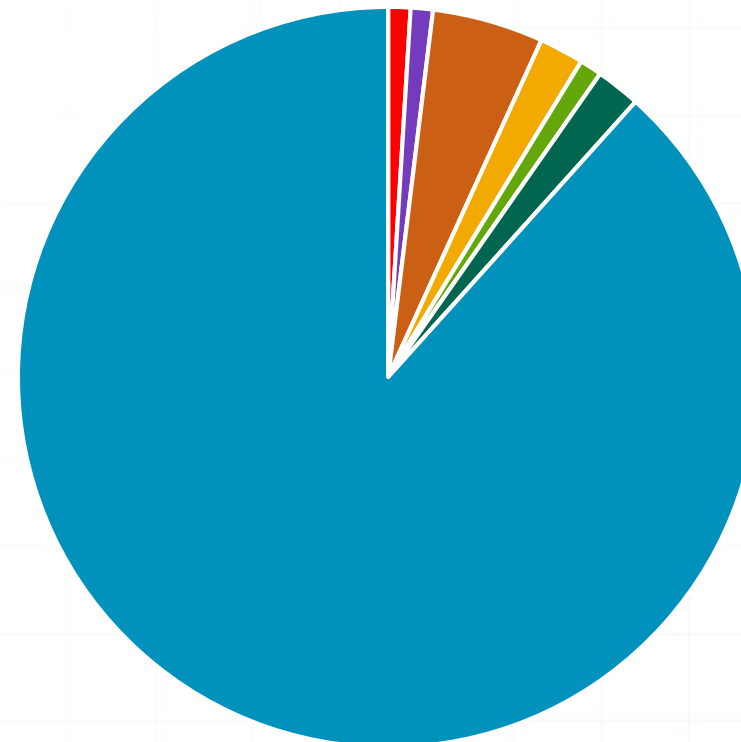
NXTQ Constituents by Country of Domicile as of 8/31/20

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



NDX Constituents by Country of Domicile as of 8/31/20

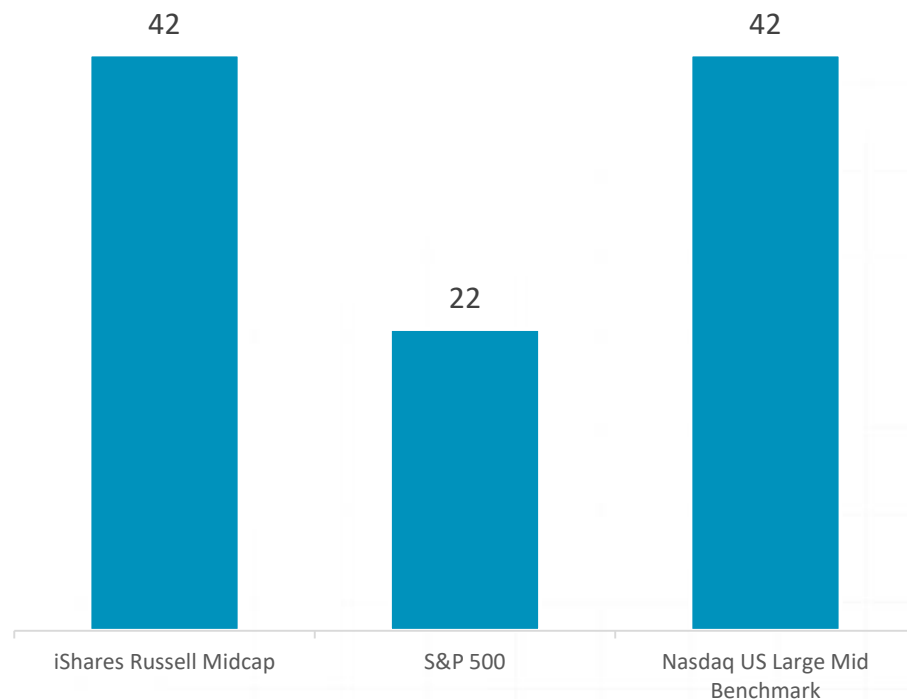
■ Argentina ■ Canada ■ China ■ UK ■ Israel ■ Netherlands ■ US



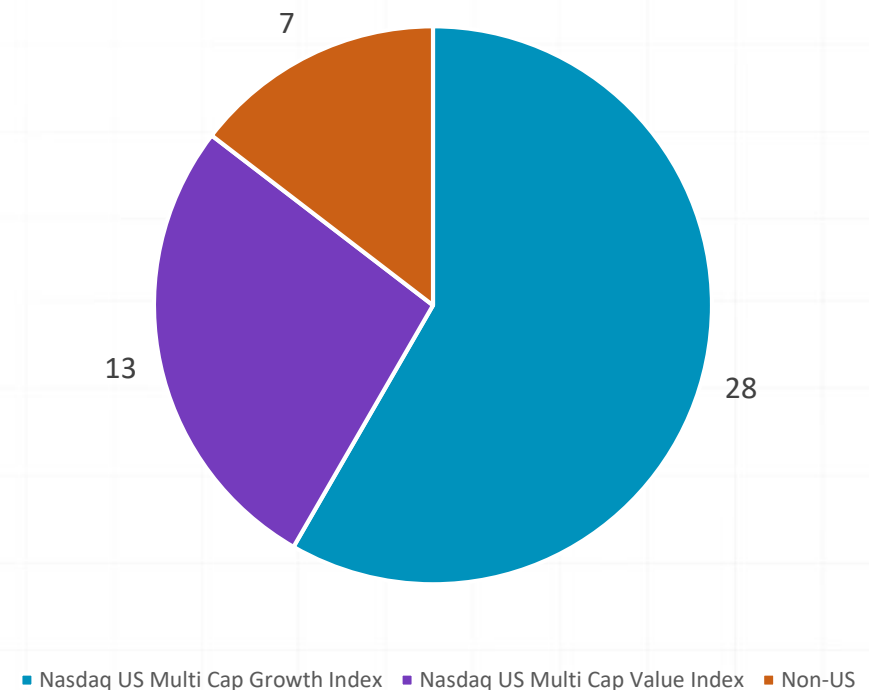
Size & Style Overlap

- The Nasdaq Q-50 exhibits blended market-capitalization characteristics, with 22 out of 48 constituents overlapping with the S&P 500 (SPX) as of August 31, 2020. There is also a strong style tilt, with 28 “Growth” names vs. only 13 “Value.”
 - Additionally, 42 constituents overlapped with IWR (iShares ETF tracking Russell’s MidCap Index), while 1 name overlapped with the STOXX-600 Index of European Large Caps. The remaining 5 constituents are unmapped to a US or European Large or Midcap Index.¹
 - Overall, 42 out of 48 constituents overlapped with Nasdaq’s own US Benchmark of Large and Mid-Cap companies (NQUSBLM).²

NXTQ Constituents by Size Benchmark



NXTQ Constituents by Style Classification



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