

THE NASDAQ-50 INDEX: COMPARISON TO THE NASDAQ-100 AND THE MARKET

The Nasdaq Q-50 Index tracks the performance of the 50 securities that are next-eligible for inclusion into the Nasdaq-100 Index. Since its inception in 2007, more than 70 securities in the Nasdaq Q-50 Index have moved into the Nasdaq-100 Index. The Nasdaq Q-50 Index is a market-capitalization weighted index offering exposure across all major industry groups, with the exception of financials. As of December 31, 2015, Technology (38.1%) and Health Care (22.6%) were the two largest industries by weight.

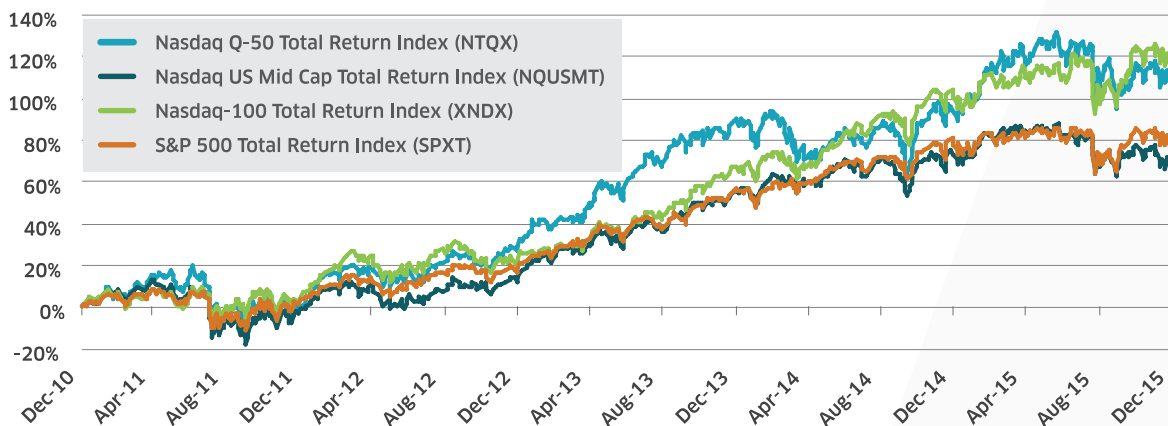
METHODOLOGY /

Index composition is reviewed on a quarterly basis in March, June, September and December. Securities that meet the applicable eligibility criteria are ranked by market value. The top 50 securities not currently in the Nasdaq-100 Index are selected for inclusion in the Index. The data used in the ranking includes end of January, April, July and October market data and are updated for total shares outstanding submitted in a publicly filed SEC document via EDGAR through the end of the month prior to the quarterly evaluation¹. Any security additions and deletions shall be made effective after the close of trading on the third Friday of each March, June, September and December.

PERFORMANCE /

Chart 1 illustrates the performance of the Nasdaq Q-50 Index and certain benchmarks. Over the trailing five-year period ending December 31, 2015, the Nasdaq Q-50 has cumulatively outperformed the Nasdaq U.S. Mid Cap Index (112.12% vs. 70.42% including reinvested dividends) and the S&P 500 (112.12% vs. 80.75% including reinvested dividends) by a wide margin. However, over that time, it has underperformed the Nasdaq-100 (112.12% vs. 120.12% including reinvested dividends).

CHART 1. INDEX PERFORMANCE: DECEMBER 31, 2010 – DECEMBER 31, 2015



In addition, over the trailing three-year period ending December 31, 2015, the Nasdaq Q-50 has cumulatively outperformed the Nasdaq U.S. Mid Cap Index (64.45% vs. 49.45% including reinvested dividends) and the S&P 500 (64.45% vs. 52.59% including reinvested dividends) by a wide margin. Over this timeframe as well, the Nasdaq Q-50 has underperformed the Nasdaq-100 (64.45% vs. 79.42% including reinvested dividends).

¹ If a security is a depositary receipt, the total shares outstanding is the actual depositary shares outstanding as reported by the depositary banks.

VOLATILITY /

Table 2 shows the volatilities of the three indexes over the same periods. We see that the Nasdaq Q-50 Index experienced only modestly higher volatility than the Nasdaq-100 and S&P 500.

TABLE 2. ANNUALIZED VOLATILITY: DECEMBER 31, 2010 – DECEMBER 31, 2015

INDEX	3-YEAR	5-YEAR
Nasdaq Q-50 Total Return Index (NTQX)	17.19%	19.81%
Nasdaq U.S. Mid Cap Total Return Index (NQUSMT)	13.74%	17.87%
Nasdaq-100 Total Return Index (XNDX)	14.93%	17.16%
S&P 500 Total Return Index (SPXT)	12.81%	15.46%

MARKET CAP /

Table 3 compares the average market cap of the Nasdaq Q-50 with that of the Nasdaq-100 as well as the Nasdaq U.S. Large, U.S. Mid, and U.S. Small Cap Indexes. The Nasdaq Q-50's average market cap is \$7.47 billion, which is significantly smaller than Nasdaq-100's \$49.84 billion. By comparison, the average market cap for the Nasdaq U.S. Large, U.S. Mid, and U.S. Small Cap Indexes is \$41.89 billion, \$4.85 billion, and \$0.91 billion respectively. Although the Nasdaq Q-50 Index and the Nasdaq-100 Index are natural counterparts for comparison, by some measures, the Nasdaq Q-50's market cap characteristics are closer to that of a mid-cap index.

TABLE 3. AVERAGE MARKET CAPITALIZATION (\$ BILLION)

Nasdaq Q-50	7.47
Nasdaq-100	49.84
Nasdaq U.S. Large Cap	41.89
Nasdaq U.S. Mid Cap	4.85
Nasdaq U.S. Small Cap	0.91

LIQUIDITY /

Table 4 illustrates the liquidity characteristics of the securities in each index as measured by turnover, which is the average daily dollar trading volume for a given security divided by its market capitalization. Although The Nasdaq Q-50's market cap profile is skewed closer to the mid-cap segment that does not imply a lower level of liquidity. Specifically, the turnover for the Nasdaq Q-50 Index is notably above that of the Nasdaq-100 Index (1.10% vs. 1.06%) for the three month period ending December 31, 2015. Similarly, the Nasdaq Q-50's liquidity is higher than the Nasdaq U.S. Large Cap Index (1.10% vs. 0.91%). The Nasdaq U.S. Mid Cap Index interestingly has the highest liquidity profile of the four indexes listed (1.22%).

TABLE 4. TURNOVER

Nasdaq Q-50	1.10%
Nasdaq-100	1.06%
Nasdaq U.S. Large Cap	0.91%
Nasdaq U.S. Mid Cap	1.22%

INDUSTRY WEIGHTS /

Chart 5 is a historical look back at the industry weights of the Nasdaq Q-50 index at each year-end. Technology has certainly been the largest industry with weights ranging from 29%-38%. Health Care and Consumer Services have flip-flopped in being the second and third largest industries in every year other than 2015. Weights in Health Care have ranged from 15% at its low-point at year-end 2011 to its high of 33% at year-end 2008. Health Care was also the largest industry at year-end 2008 and 2014. Industrials has been the fourth largest industry in almost every period, but as of year-end 2015 it bumped up to being the third largest with a weight of 14%. At year-end 2015, the index was comprised of six of the 10 ICB industries. Basic Materials and Oil & Gas had weights historically, but no weight as of year-end 2015. Utilities have had no weight as of any year-end back to 2007. Financials, due to the eligibility criteria of the Nasdaq Q-50, are never included.

CHART 5. HISTORICAL INDUSTRY WEIGHTS

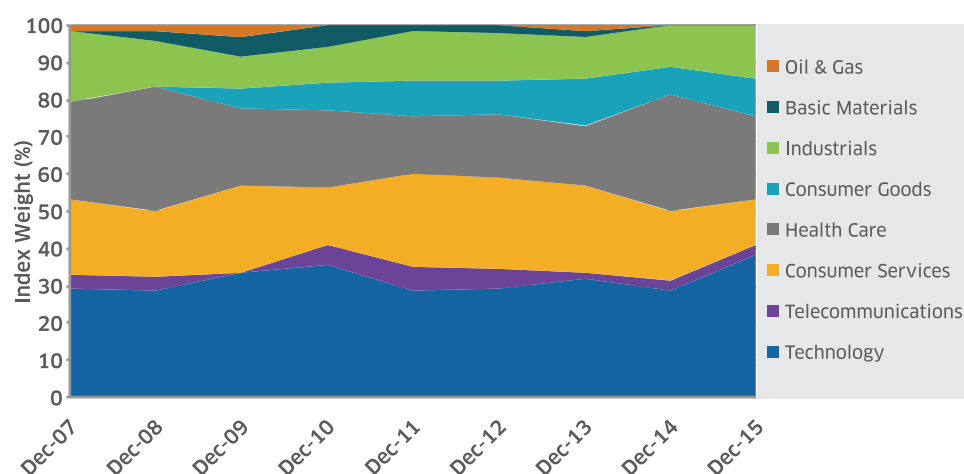


TABLE 6. 12/31/2015 INDUSTRY WEIGHTS

DATE	12/31/2015 INDEX WEIGHT
Technology	38.14%
Health Care	22.56%
Industrials	14.17%
Consumer Services	11.88%
Consumer Goods	10.31%
Telecommunications	2.94%

Sources: Nasdaq Global Indexes, Bloomberg, FactSet.

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