

# NASDAQ US Buyback Achievers™ Select Index Methodology

## Index Description

The NASDAQ US Buyback Achievers Select™ Index is comprised of United States (US) securities issued by corporations that have effected a net reduction in shares outstanding of 5% or more in the trailing 12 months while also meeting certain fundamental metrics.

## Index Calculation

The NASDAQ US Buyback Achievers Select Index is a modified share reduction weighted index. The value of the Index equals the aggregate value of the Index share weights, also known as the Index Shares, of each of the Index Securities multiplied by each security's Last Sale Price<sup>1</sup>, and divided by the divisor of the Index. The divisor serves the purpose of scaling such aggregate value to a lower order of magnitude which is more desirable for Index reporting purposes. The Index began on October 6, 2014 at a base value of 1000.00.

The formula for index value is as follows:

$$\text{Aggregate Adjusted Market Value/Divisor}$$

The formula for the divisor is as follows:

$$(\text{Market Value after Adjustments/Market Value before Adjustments}) \times \text{Divisor before Adjustments}$$

Three versions of the Index are calculated – a price return index, a total return index and a net total return index.

- The price return index (Nasdaq: DRBS) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index (Nasdaq: DRBST) reinvests cash dividends on the ex-date.
- The net total return index (Nasdaq: DRBSN) reinvests cash dividends on the ex-date and adjusts for an Index Security's country of incorporation withholding rate.

All Indexes reflect extraordinary cash distributions.

The Indexes are calculated and disseminated once per second from 9:30:01 to 17:16:00 Eastern Time (ET) in USD. The closing value of the Index(es) may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

## Eligibility

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<sup>1</sup> For purposes of this document, Last Sale Price refers to the last regular way trade reported on such security's Index Market. The Index Market is the listing market for which prices are received and used by Nasdaq in the Index calculation and generally will represent the most liquid trading market of the Index Security. If a security does not trade on its Index Market on a given day or the Index Market has not opened for trading, the most recent last sale price from the Index Market (adjusted for corporate actions, if any) is used. For securities where Nasdaq is the Index Market, the Last Sale Price may be the Nasdaq Official Closing Price (NOCP) when Nasdaq is closed.

Index eligibility is limited to specific security types only. The security types eligible for the Index include common stocks, limited partnership interests, shares or units of beneficial interest and shares of limited liability companies.

### **Eligibility Criteria**

To be eligible for inclusion in the Index a security must meet the following criteria:

- be listed on The Nasdaq Stock Market® (Nasdaq®), the New York Stock Exchange, NYSE American, or the CBOE Exchange;
- the issuer of the security must be incorporated in the United States or certain benefit driven countries;
- the issuer of the security must have effected a net reduction in shares outstanding of 5% or more in the trailing 12 months;
- the security must have a minimum float adjusted market capitalization of \$1 billion;
- the security must have a minimum three-month average daily dollar trading volume of \$1 million;
- one security per issuer is permitted;
- the issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being Index eligible; and
- the issuer of the security may not be issued by an issuer currently in bankruptcy proceedings.

Securities must also have the following criterion met:

- have a price to book ratio that is less than the price to book ratio of the corresponding NASDAQ US Large Mid Cap Benchmark Index (NQUSBLM) ICB industry's average over the trailing 12 months; or
- have a debt to equity ratio that is less than the debt to equity ratio of the corresponding NASDAQ US Large Mid Cap Benchmark Index (NQUSBLM) ICB industry's average over the trailing 12 months.

### **Index Evaluation**

The Index Securities are evaluated annually in January. The above Eligibility Criteria are applied by Nasdaq with the exception of the first 3 bullets which are applied by Ford Equity Research, using market data through the end of December. Securities meeting the criteria are included in the Index. Security additions and deletions are made effective after the close of trading on the last trade day in January.

If at the time of review, fewer than 50 securities are determined eligible; Ford Equity Research will enact a special review by lowering the net share reduction threshold to 3% and then Nasdaq will enact the fundamental review to add in newly eligible names until 50 securities are selected.

Additionally, if at any time during the year other than the Evaluation, an Index Security no longer meets the last two Eligibility Criteria, or is otherwise determined to have become ineligible for inclusion in the Index, the security is removed from the Index and is not replaced. In all cases, a security is removed from the Index at its Last Sale Price. If, however, at the time of its removal the Index Security is halted from trading on its primary listing market and an official closing price cannot readily be determined, the Index Security may, in Nasdaq's discretion, be removed at a zero price. The zero price will be applied to

the Index Security after the close of the market but prior to the time the official closing value of the Index is disseminated, which is ordinarily 17:16:00 ET.

### **Index Maintenance**

Index Share changes are not made during the quarter however changes arising from stock dividends and stock splits are made to the Index on the evening prior to the effective date of such corporate action. In the case of certain spin-offs or rights issuances, the price of the Index Security is adjusted.

A special cash dividend announced by the listing exchange, will result in an adjustment to the Last Sale Price of an Index Security prior to market open on the ex-date for the special amount distributed. A special dividend may also be referred to as extra, extraordinary, non-recurring, one-time, unusual, etc.

Ordinarily, whenever there is a change in Index Shares, a change in an Index Security or a change to the price of an Index Security due to spin-offs, rights issuances or special cash dividends as mentioned above, the divisor is adjusted to ensure that there is no discontinuity in the value of the Index which might otherwise be caused by any such change. All changes are announced in advance and are reflected in the Index prior to market open on the Index effective date.

### **Index Rebalancing**

The Index employs a modified share reduction weighted methodology. At each quarter, the Index is rebalanced based on the share reduction percentage of each security calculated based upon proprietary shares outstanding data from Ford Equity Research at the time of the Annual Evaluation. The share reduction factor used for the weighting methodology is held constant throughout the quarterly rebalances. Under the methodology, no single security can have a weight of more than 5% and no more than eight (8) securities will be at that cap. If after the redistribution, any of the 8 highest ranked Index Securities are weighted below 5%, these securities are not capped. Next, any remaining securities in excess of 2.5% are capped at 2.5% and the excess weight is distributed proportionally across the remaining Index Securities.

The modified share reduction weighted methodology is applied to the capitalization of each Index Security, using the Last Sale Price of the security at the close of trading on the last trading day in December, March, June and September. Each Index Securities' weight is then multiplied by \$1 trillion to determine the new market value. Index Shares are calculated by dividing the new market value of the Index Security by its corresponding Last Sale Price. The changes are effective after the close of trading on the last day in January, April, July and October.

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity.

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