

# **BVP Nasdaq Emerging Cloud Index Methodology**

## **Index Description**

The BVP Nasdaq Emerging Cloud Index is designed to track the performance of emerging public companies primarily involved in providing cloud software and services to their customers.

## **Index Calculation**

The BVP Nasdaq Emerging Cloud Index is an equal 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 such 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 index value to a lower order of magnitude, which is more desirable for reporting purposes. If trading in an Index Security is halted on its primary listing market, the most recent Last Sale Price for that security is used for all index computations until trading on such market resumes. Likewise, the most recent Last Sale Price is used if trading in a security is halted on its primary listing market before the market is open. The Index began on October 2, 2018, with a base value of 1000.00.

The formula for index value is as follows:

Aggregate Adjusted Market Value/Divisor

The formula for the divisor is as follows:

(Market Value after Adjustments/Market Value before Adjustments) X Divisor before Adjustments

Three versions of the Index are calculated in USD:

- The price return index (Nasdaq: EMCLOUD) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index (Nasdaq: EMCLOUDT) reinvests cash dividends on the ex-date.
- The net total return index (Nasdaq: EMCLOUDN) 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.

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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.

## **Eligibility**

Index eligibility is limited to specific security types only. The security types eligible for the Index include common stocks and ordinary shares. Security types not eligible for the Index include closed-end funds, exchange-traded funds (ETFs), limited partnership interests, preferred stock, rights, shares of limited liabilities companies, warrants and other derivative securities.

## **Eligibility Criteria**

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

### *Company Selection Process*

#### Industry

The issuer of the security derives the majority of its revenue from business-oriented software products, as determined by Bessemer Venture Partners (BVP), which are both:

1. provided to customers through a cloud delivery model – e.g., hosted on remote and multi-tenant server infrastructure, accessed through a web browser or mobile device, or consumed as an API
2. provided to customers through a cloud economic model – e.g., as a subscription-based, volume-based, or transaction-based offering

#### Revenue Growth

For the evaluation of a security being considered as a new addition to the Index:

- have grown annual revenue at least 15% for each of the last two full fiscal years, as determined by BVP

For the evaluation of a security currently in the Index:

- have grown annual revenue at least 7% in at least one of the last two fiscal years, as determined by BVP

### *Security Conditions*

- be listed on the Nasdaq Stock Market, the New York Stock Exchange, NYSE American or the CBOE Exchange;
- have “seasoned” for at least three months on an Index-eligible exchange;
- a minimum market capitalization of \$500M USD;
- a minimum three-month average daily dollar trading volume of \$5M USD;
- one security per issuer is permitted<sup>2</sup>;
- may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being Index eligible; and
- may not be issued by an issuer currently in bankruptcy proceedings

\*For the purpose of Index Eligibility Criteria, if the security is a depositary receipt representing a security of a non-U.S. issuer, the references to the “issuer” are references to the issuer of the underlying security.

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<sup>2</sup> If an issuer has multiple securities, the security with the highest dollar trading volume will be selected for possible inclusion into the Index.

## **Index Evaluation**

The Index is evaluated in February and August. The criteria are applied using market data as of the end of January and July. Security additions and deletions are made effective at the close of trading on the third Friday in February and August.

Additionally, if at any time during the year other than the evaluation dates, an Index Security undergoes a fundamental alteration such as, but not limited to, its issuer filing for bankruptcy proceedings, switching its listing to an ineligible listing venue, or if it undergoes major corporate actions such as merger & acquisition (M&A) activity that would make the Index Security 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, at 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 outside of the Rebalance period, 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; there is no adjustment to Index Shares.

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 an Index Security as noted 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 an equal-dollar weighting methodology such that each company's Index market value is rebalanced semi-annually to an equal-dollar value corresponding to an equal percent weight of the Index's aggregate market value. Index Shares are calculated by dividing this equal-dollar value for each Index Security by the corresponding last sale price of the security at the close of trading on the third Friday in February and August.

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

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**Disclaimer**

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