



INDEX METHODOLOGY

## NASDAQ 5HANDL™ INDEX

### NQ5HANDL™

#### INDEX DESCRIPTION

The Nasdaq 5HANDL™ Index is designed to track a diversified, multi-asset portfolio of low-cost ETFs with an objective to maximize risk-adjusted returns while supporting a 5% annual distribution rate.

#### SECURITY ELIGIBILITY CRITERIA

##### Eligible security types

A security must be an Exchange-Traded Fund (ETF).

##### Eligible exchanges

A security must be listed on a U.S. exchange.

##### Liquidity eligibility

A security must have a three-month average daily trading volume of at least 20,000 shares.

##### Seasoning eligibility

A security must have been traded on a public exchange for at least one year.

##### Other eligibility criteria

A security must be an ETF organized under the Investment Company Act of 1940.

A security must be open for daily creations and redemptions.

If, at reconstitution, Nasdaq becomes aware that an issuer or security will soon undergo a fundamental change that makes it ineligible, Nasdaq will remove the security from consideration. This includes entering into a definitive merger or acquisition agreement or other pending arrangement that would

make it ineligible for Index inclusion, or a filing of bankruptcy or similar protection from creditors, or other events as described in Section 3 of **Corporate Actions and Events Manual – Equities**.

## INDEX CALENDAR

### Reconstitution schedule

The Index Reconstitution is conducted annually in January.

### Reconstitution reference dates

Unless otherwise noted, the Security Eligibility Criteria and Constituent Selection Process are applied using data as of the prior month-end.

### Reconstitution announcement dates

Index Reconstitutions changes are announced in early January.

### Reconstitution effective dates

Index Reconstitutions become effective at market open on the ninth trading day in January.

### Rebalance schedule

The Index is rebalanced monthly.

### Rebalance reference dates

The Index Rebalance uses the Last Sale Price (“LSP”) of all Index Securities as of the prior month-end.

### Rebalance announcement dates

Index Rebalance changes are announced approximately five business days prior to effective date.

### Rebalance effective dates

Index Rebalance changes become effective at market open on the ninth trading day of each month.

### Holiday schedule

The Indexes are calculated Monday through Friday, except on days when the Nasdaq US exchange is closed.

## Index calculation and dissemination schedule

The index is calculated during the trading day and is disseminated once per second from 09:00:01 to 17:16:00 ET. The closing value of the indexes may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

## CONSTITUENT SELECTION

### Constituent selection process

The Index is comprised of ETFs that are split into two portfolio categories: A Core Portfolio and an Explore Portfolio.

- The Core Portfolio consists of U.S. aggregate fixed-income ETFs (the Core Fixed Income Component) and U.S. large cap equity ETFs (the Core Equity Component).
  - The Core Fixed Income Component consists of the three largest (by AUM) U.S. aggregate bond ETFs that have no maturity limitations.
  - The Core Equity Component consists of the three largest (by AUM) ETFs that track large capitalization domestic stocks with approximately 500 constituents and that are weighted by market capitalization, and the largest ETF (by AUM) that tracks the Nasdaq-100 Index.
- The Explore Portfolio consists of non-levered ETFs in 12 U.S. asset categories (Explore Categories).
  - The Explore Categories include the following 12 ETF categories:
    - Dividend Equity – ETFs that provide exposure to domestic dividend-paying stocks;
    - Options Overlay – ETFs that provide exposure to equity portfolios that include an options overlay;
    - High-Yield Bonds – ETFs that provide exposure to domestic high-yield corporate bonds (also known as “junk bonds”) of any duration or maturity;
    - Investment Grade Bonds – ETFs that provide exposure to domestic investment grade corporate bonds;
    - MLPs – ETFs that provide exposure to master limited partnerships;
    - MBS – ETFs that provide exposure to mortgage-backed securities;
    - Active Fixed Income – ETFs that provide exposure to actively managed fixed income portfolios;
    - Preferred Securities – ETFs that provide exposure to domestic preferred securities;
    - REITs – ETFs that provide exposure to domestic real estate investment trusts;
    - Growth & Income – ETFs that provide exposure to multiple asset portfolios of stocks and bonds or ETFs of stocks and bonds;
    - Utilities – ETFs that provide exposure to domestic utility securities; and
    - Build America Bonds – ETFs that provide exposure to Build America Bonds.
  - Each Explore Category is represented in the Index by a single ETF based on the following criteria:

- The default rule (subject to the exception described below) is that each Explore Category is represented by the largest ETF (by AUM) in the Explore Category.
- Notwithstanding the default rule, an ETF that is not the largest ETF (by AUM) in its Explore Category represents its Explore Category if it meets the following conditions:
  - It has an expense ratio after waivers at least 20% lower than the largest ETF (by AUM) in the Explore Category; and
  - It has a 30-day average daily trading volume of at least 20,000 shares.
- If multiple ETFs meet the conditions set forth above, the ETF that meets the conditions above with the lowest expense ratio after waivers represents the Explore Category.

## CONSTITUENT WEIGHTING

### Constituent weighting scheme

The Index is a modified equal-weighted index.

### Constituent weighting process

At each Rebalance, the Index is equally weighted between the Core Portfolio and the Explore Portfolio.

- Within the Core Portfolio, 70% of the portfolio weight is allocated to the Core Fixed Income Component and 30% is allocated to the Core Equity Component.
  - Within the Core Fixed Income Component, all three Index Securities receive equal Component weight.
  - Within the Core Equity Component, the largest ETF (by AUM) that tracks the NASDAQ-100 Index receives 50% Component weight. The three ETFs that track large capitalization domestic stocks with approximately 500 constituents and weighted by market capitalization each receive 1/6 Component weight, totalling 50%.
- Within the Explore Portfolio, Index Security weights follow a linear weighting scheme, based on their Relative Strength Matrix rank (RS rank): An Index Security's weight is equal to its RS rank divided by the sum of all RS ranks. The Relative Strength Matrix system is described in Appendix A.

For additional information about index weighting, see **Nasdaq Index Weight Calculations**.

## INDEX MAINTENANCE

### Deletion policy

If, at any time other than an Index Reconstitution, Nasdaq determines that an Index Security has or will undergo a fundamental alteration such as a liquidation or other delisting event, or a material change to its underlying methodology that would make it ineligible for Index inclusion, the Index Security is removed as soon as practicable. This includes circumstances where an ETF is determined to be ineligible

for continued inclusion in the Index due to a pending liquidation, delisting, or definitive agreement to merge with another fund.

### **Replacement policy**

Index Securities are not replaced in the Index outside of the Index Reconstitution.

### **Addition policy**

Index Securities are not added to the Index outside of the Index Reconstitution.

### **Corporate actions**

In the interim periods between scheduled index reconstitution and rebalancing events, individual Index securities may be the subject to a variety of corporate actions and events that require maintenance and adjustments to the Index. Specific treatment of each type of corporate action or event is described in **Nasdaq Corporate Actions and Events Manual – Equities**, which is incorporated herein by reference.

In certain cases, corporate actions and events are handled according to the weighting scheme or other index construction techniques employed. Wherever alternate methods are described, the Index will follow the “Non-Market Cap Corporate Action Method.”

### **Index share adjustments**

Other than as a direct result of corporate actions, the index does not normally experience share adjustments between scheduled index rebalance and reconstitution events.

## **ADDITIONAL INFORMATION**

### **Announcements**

Nasdaq announces Index-related information via the Nasdaq Global Index Watch (GIW) website at <http://indexes.nasdaqomx.com>.

For more information on the general Index Announcement procedures, please refer to the **Nasdaq Index Methodology Guide**.

### **Unexpected market closures**

For information on Unexpected Market Closures, please refer to the **Nasdaq Index Methodology Guide**.

### **Calculation types**

For information on the Index calculation types as well as the mathematical approach used to calculate the Index(es), please refer to the **Nasdaq Index Policies & Procedures: Calculation Manual – Equities & Commodities**.

## Recalculation and restatement policy

For information on the Recalculation and Restatement Policy, please refer to the **Nasdaq Index Recalculation Policy**.

## Data sources

For information on data sources, please refer to the **Nasdaq Index Methodology Guide**.

## Contact information

For any questions regarding an Index, please contact the Nasdaq Index Client Services team at [indexservices@nasdaq.com](mailto:indexservices@nasdaq.com).

## Index dissemination

Index values and weightings information are available through Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaqomx.com/> as well as the Nasdaq Global Index FlexFile Delivery Service (GIFFD) and Global Index Dissemination Services (GIDS). Similar to the GIDS offerings, Genium Consolidated Feed (GCF) provides real-time Index values and weightings for the Nordic Indexes.

For more detailed information regarding Index Dissemination, see the **Nasdaq Index Methodology Guide**.

## Website

For further information, please refer to Nasdaq GIW website at <https://indexes.nasdaqomx.com/>.

## FTP and dissemination service

Index values and weightings are available via FTP on the Nasdaq Global Indexes FlexFile Delivery Service (GIFFD). Index values are available via Nasdaq's Global Index Dissemination Services (GIDS).

## GOVERNANCE

All Nasdaq Indexes are managed by the governance committee structure and have transparent governance, oversight, and accountability procedures for the Index determination process. For further details on the Index Methodology and Governance overlay, refer to the **Nasdaq Index Methodology Guide**.

## GLOSSARY OF TERMS AS USED IN THIS DOCUMENT

For the glossary of key terms, please refer to the **Nasdaq Index Methodology Guide**.

## DISCLAIMER

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity, including but not limited to, quantitative inclusion criteria. Nasdaq may also, due to special circumstances, if deemed essential, apply discretionary adjustments to ensure and maintain the high quality of the index construction and calculation. Nasdaq does not guarantee that any Index accurately reflects future market performance.

Neither Nasdaq, Inc. nor any of its affiliates (collectively “Nasdaq”) makes any recommendation to buy or sell any security or any representation about the financial condition of any company. Investors should undertake their own due diligence and carefully evaluate companies before investing. The information contained herein is provided for informational and educational purposes only, and nothing contained herein should be construed as investment advice, either on behalf of a particular security or an overall investment strategy. **ADVICE FROM A SECURITIES PROFESSIONAL IS STRONGLY ADVISED.**

## APPENDIX A: DORSEY WRIGHT POINT & FIGURE CHARTING AND THE RELATIVE STRENGTH MATRIX

The Relative Strength Matrix is constructed as follows.

### Point & Figure Charting

Dorsey Wright uses Point & Figure charting to record a security's price trend, focusing on the price movements of that security as a directional and momentum indicator. Point & Figure charts filter out non-significant price movements by ignoring small price fluctuations, trading volume and time.

### Point & Relative Strength Chart

Relative Strength is another technical analysis tool that measures a security's performance relative to other securities, benchmarks, or broad market indexes. Relative Strength is a momentum technique that relies on unbiased, unemotional, objective data, rather than biased forecasting and subjective research. Relative Strength is a way of recording historic performance patterns, and Nasdaq Dorsey Wright (NDW) uses Relative Strength signals as an indicator for current momentum trends of a security versus others.

For the purpose of conducting the Explore Portfolio allocation, NDW builds relative strength charts for each of the 12 ETFs using the following process:

- On a daily basis, NDW computes the ratio of the closing price of each Explore Portfolio ETF to the closing price of each other Explore Portfolio ETF. Example: Relative Strength Reading =  $(\text{ETF 1 Closing Price} \div \text{ETF 2 Closing Price}) \times 100$
- As a result of on-going calculations, a Point & Figure Relative Strength chart is created for each relationship within the inventory. A Point & Figure Relative Strength chart is a variation of a Point & Figure chart, but its input value is computed in the previous step, instead of individual security prices.

Relative Strength Matrix

NDW has implemented a systematic way of analyzing many Point & Figure Relative Strength charts by aggregating Buy Signals and Sell Signals within a “matrix” format. When a column of X’s exceeds a previous column of X’s, the chart indicates a “Buy Signal” (also referred to as positive Relative Strength). Conversely, “Sell Signals” are given when a column of O’s exceeds a previous column of O’s (also referred to as negative relative strength).

NDW created the Relative Strength Matrix (the “Matrix”) to analyze large numbers of charts and to easily display an equally large data set of signals. Each coordinate pair of the Matrix represents a Relative Strength contest between one Explore Portfolio ETF and another.

For each Explore Portfolio ETF in the defined inventory, the total number of Relative Strength charts that are on a Buy Signal are noted in the column “Buys” of the Matrix. The Matrix is ranked such that the ETF with the highest number of Buy Signals is given the Relative Strength Matrix rank (RS rank) of 12. The Explore Portfolio ETF with the lowest number of Buy Signals is given the RS rank of 1.

APPENDIX B: METHODOLOGY CHANGE LOG

Effective date	Methodology section	Description or summary of changes
December 20, 2021	Constituent Selection	Explore Category increased constituents from 8 to 12.
December 20, 2021	Constituent Weighting	The Nasdaq Dorsey Wright Relative Strength Matrix system replaced a custom ranking system to determine security weights within the Explore Portfolio.