



INDEX METHODOLOGY

## THE CAPITAL STRENGTH INDEX™

### NQCAPST

#### INDEX DESCRIPTION

The Capital Strength Index seeks to provide exposure to well-capitalized companies with strong market positions. The companies are screened for strong balance sheets, a high degree of liquidity, the ability to generate earnings growth, and a record of financial strength and profit growth. The Index is composed of 50 securities selected objectively based on cash on hand, debt ratios and volatility.

#### SECURITY ELIGIBILITY CRITERIA

##### Parent index

In order to be eligible for the Capital Strength Index, a security must be a component the Nasdaq US Benchmark Index (NQUSB). For more information on eligibility requirements, please see the NQUSB methodology, which is incorporated herein, by reference.

##### Eligible security types

The security types eligible for the Index are common stocks and REITs.

##### Multiple classes of securities

If an issuer has multiple securities, the security with the highest dollar trading volume will typically be selected for possible inclusion into the Index.

##### Market capitalization eligibility

Each security must be in the top 500 securities by float adjusted market capitalization.

##### Liquidity eligibility

Each security must have a minimum three-month average daily dollar trading volume of \$5 million.

## **Other eligibility criteria**

Eligible securities must have at least \$1 billion in cash or short term investments.

Eligible securities must have a long term debt to market cap ratio less than 30%.

Eligible securities must have a return on equity greater than 15%.

The issuer of the security generally may not currently be in bankruptcy proceedings.

The issuer of the security generally may not have entered into a definitive agreement or other arrangement that would make it ineligible for Index inclusion and where the transaction is imminent as determined by the Index Management Committee.

## **INDEX CALENDAR**

### **Reconstitution schedule**

Nasdaq selects constituents on a quarterly basis in January, April, July and October.

### **Reconstitution reference dates**

The Security Eligibility Criteria are applied using market data as of the prior month-end (December, March, June and September).

### **Reconstitution announcement dates**

Index Reconstitutions are generally announced in early January, April, July and October.

### **Reconstitution effective dates**

Index Reconstitutions become effective at market open on the trading day after the third Friday in January, April, July and October.

### **Rebalance schedule**

The Index is rebalanced quarterly in January, April, July and October.

### **Rebalance reference dates**

The Index Rebalance uses the Last Sale Price (“LSP”) of all Index Securities at the close of trading on the third Friday in January, April, July and October.

### **Rebalance announcement dates**

Index Rebalance changes are generally announced in early January, April, July and October.

## Rebalance effective dates

Index Rebalance changes become effective at market open on the trading day after the third Friday in January, April, July and October.

## CONSTITUENT SELECTION

### Constituent selection process

Securities that meet the applicable Security Eligibility Criteria are considered for inclusion in the Index based on the following order of criteria.

- Eligible securities are ranked by a combined short term (90 day) and long term (260 day) realized volatility.
- The 50 eligible securities with the lowest combined volatility score are selected.
- A review is then enacted to determine if any Industry as determined by the Industry Classification Benchmark, a product of FTSE International Limited that is used under license, has a cumulative weight greater than 30%. If an Industry has a weight greater than 30%, the highest ranking security by volatility in that industry will be removed and replaced with the next eligible security (e.g. the 51st ranked by volatility) from a different Industry.

## CONSTITUENT WEIGHTING

### Constituent weighting scheme

The Index is an equal-weighted index.

### Constituent weighting process

The Index employs an equal weighting scheme: all Index Securities have equal index market capitalization.

For additional information about index weighting, see **Nasdaq Standard Index Weight Adjustment Guidelines**.

## 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 that would make it ineligible for Index inclusion, the Index Security is removed as soon as practicable and is not replaced.

Such alterations may include:

- Merger, acquisition, bankruptcy or other major corporate event that would otherwise adversely impact the integrity of the Index.

### **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**.

### **Holiday schedules**

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

### **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 **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**.

## **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.

## **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

### Index governance

All Nasdaq Indexes follow the same governance structure. For a detailed list of this information, please see the **Nasdaq Index Methodology Guide**.

### Nasdaq Index Management Committee

The Nasdaq Index Management Committee approves all new Index Methodologies. This committee is comprised of full-time professional members of Nasdaq. The committee meets regularly, and reviews items including, but not limited to, pending corporate actions that may affect Index constituents, statistics comparing the composition of the indexes to the market, companies that are being considered as candidates for addition to an Index, and any significant market events.

For a detailed overview of the Index Management Committee, please see the **Nasdaq Index Methodology Guide**.

### Internal reviews of methodology

For a detailed description on internal reviews of the Methodology, please see the **Nasdaq Index Methodology Guide**.

### Communication with stakeholders and consultations

For a detailed description on Consultations and Communications with Stakeholders, please see the **Nasdaq Index Methodology Guide**.

### Index cessation

Nasdaq has a documented procedure that is followed for Index Cessation that includes termination/retirement of an Index or Index Family.

For more information, please refer to the **Nasdaq Index Cessation Policy**.

### Discretionary adjustment

This Index Methodology was created by Nasdaq to achieve the aforementioned objective of measuring the underlying purpose of each Index governed by this methodology document. Any deviations from this methodology are made in the sole judgment and discretion of Nasdaq so that the Index continues to achieve its objective.

For more information on potential adjustments including Calculation and Pricing Disruptions, Expert Judgment, and Unexpected Reconstitution/Rebalances, please 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.

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