

Nasdaq Overseas China New Economy Companies Top 50 IndexSM

Methodology

Index Description

The Nasdaq Overseas China New Economy Companies Top 50 Index is designed to capture the new drivers of the China Economy by investing into growth-related sectors. The Index includes the largest 50 companies from China (excluding A Shares) that are classified as Consumer Goods, Health Care, Consumer Services or Technology according to the Industry Classification Benchmark (ICB).

Index Calculation

The Nasdaq Overseas China New Economy Companies Top 50 Index is a modified market capitalization 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 Price¹, 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 reporting purposes. The Index began on March 12, 2018, at a base value of 1,000.00.

The formula for index value is as follows:

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

The formula for the divisor is as follows:

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

Nine versions of the Index are calculated:

- The price return index in USD (Nasdaq: NQCNNEW) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index in USD (Nasdaq: NQCNNEWT) reinvests cash dividends on the ex-date.
- The net total return index in USD (Nasdaq: NQCNNEWN) reinvests cash dividends on the ex-date and adjusts for an Index Security's country of incorporation withholding rate.
- The price return index in CNY (Nasdaq: NQCNNEWWCNY) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index in CNY (Nasdaq: NQCNNEWWCNYT) reinvests cash dividends on the ex-date.
- The net total return index in CNY (Nasdaq: NQCNNEWWCNYN) reinvests cash dividends on the ex-date and adjusts for an Index Security's country of incorporation withholding rate.

¹ 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 Index Market, the Last Sale Price may be the Nasdaq Official Closing Price (NOCP) when Nasdaq is closed.

- The price return index in HKD (Nasdaq: NQCNNEWHKD) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index in HKD (Nasdaq: NQCNNEWHKDT) reinvests cash dividends on the ex-date.
- The net total return index in HKD (Nasdaq: NQCNNEWHKDN) 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 during the trading day and are disseminated once per second. The Indexes are calculated five (5) days a week, Monday through Friday, starting by the earliest time zone Asia/Tokyo and close by the latest time zone America/New York.

Eligibility

Index eligibility is limited to specific security types only. The security types eligible for the Index include common stocks, ordinary shares, depositary receipts (both American and Global), and depositary shares.

Eligibility Criteria

To be included in the Index, a security must meet the following criteria:

- be listed on the Nasdaq, New York Stock Exchange, NYSE American, or the CBOE Exchange; or be a component of the Nasdaq Global Index (NQGI) and listed on the Hong Kong Exchange;
- classified as Consumer Goods, Health Care, Consumer Services or Technology according to the Industry Classification Benchmark (ICB);
- a minimum worldwide market capitalization of \$250 million;
- a minimum three-month average daily dollar trading volume of \$1 million;
- a country of domicile of China;
- have a minimum free float of 20%;
- one security per issuer is permitted²;
- 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.

Index Evaluation

The Index Securities are evaluated annually in November. The above Eligibility Criteria are applied using market data through the end of October.

Securities meeting the above criteria and ranked in the top 50 by worldwide market capitalization are included in the Index. Security additions and deletions are made effective after the close of trading on the third Friday in November.

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

Additionally, if at any time during the year other than the Evaluation, an Index Security no longer meets the Eligibility Criteria, or is otherwise determined to have become ineligible for inclusion in the Index, the security is removed from the Index and is replaced at the next Quarterly Rebalance. The Index Security will be replaced with the next eligible security based on the replacement pool of securities data from the prior Annual Evaluation. 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 and a corresponding adjustment is made to the Index Shares such that the weight of the Index Security does not change as a result of the action. However, for a spin-off event, if there is a no when-issued trading available for the spin-co security, the spin-co security may be added to the index at a zero value. In this case, the spin-co security will be removed from the Index after two full days of trading.

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 corresponding adjustment will be made to the Index Shares of the security such that the weight of the Index Security will not change as a result of the action. 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.

Index Rebalancing

The Index employs a modified market capitalization weighted methodology. At each quarter, the Index is rebalanced such that the maximum weight of any Index Security does not exceed 8% and no more than 5 securities are at that cap. The excess weight of any capped security is distributed proportionally across the remaining Index Securities. If after redistribution, any of the 5 highest ranked Index Securities are weighted below 8%, these securities are not capped. Next, any remaining Index Securities in excess of 4% are capped at 4% and the excess weight is redistributed proportionally across the remaining Index Securities. The process is repeated, if necessary, to derive the final weights.

The modified market capitalization 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 January, April, July and October. Index Shares are then calculated

multiplying the weight of the security derived above by the new market value of the Index and dividing the modified market capitalization for each Index Security by its corresponding Last Sale Price. The changes are effective after the close of trading on the third Friday in February, May, August and November.

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

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