



INDEX METHODOLOGY

## NASDAQ DORSEY WRIGHT DALI1 INDEX METHODOLOGY

### NQDALI

#### INDEX DESCRIPTION

The Nasdaq Dorsey Wright DALI1 Index is a rules-based, quantitatively enabled index which is designed to catch the long-term trends of both the market and strong asset classes when the overall environment is bullish. The index consists of liquid exchange-traded funds (“ETFs”) and other exchange traded products across various asset classes to gain diversified, risk managed exposure.

#### SECURITY ELIGIBILITY CRITERIA

##### Eligible security types

Security types eligible for the index include exchange-traded funds.

#### INDEX CALENDAR

##### Reconstitution schedule

The Index Reconstitution is conducted bi-monthly in the second and fourth weeks (“Evaluation Weeks”) of the month containing a Friday with the exception of the month of December, wherein the Index holdings are evaluated once, on the second week of the month which contains a Friday.

If International Equity is part of the rebalance by either moving in or out of the Index, certain evaluation periods will be skipped and the Index will be re-evaluated at the next evaluation period.

##### Reconstitution reference dates

The Security Eligibility Criteria are applied using market data as of the close of trading on Tuesday of the Evaluation Week.

## **Reconstitution announcement dates**

Index Reconstitutions changes are announced on Wednesday of the Evaluation Week.

## **Reconstitution effective dates**

Index reconstitutions become effective at market open the next trading day after the Friday of the Evaluation Week.

## **Rebalance schedule**

The index is rebalanced based on the schedule outlined both above and in the schedules below (Appendix A & B), in conjunction with the Index Evaluation.

**Schedule I (Appendix A)** contains the overview matrix of Index Rebalance timing on Asset Class, Asset Models and Underlying Tactical Model rebalances inclusive of the periods which would be skipped due to International Equities. Underlying Asset Class sleeves are only rebalanced back to target weights on the prescribed quarterly schedule as outlined below.

## **Rebalance reference dates**

The Index Rebalance uses Tuesday's closing prices of the given week's review.

## **Rebalance announcement dates**

Index Rebalance changes are announced on Wednesday of the given week's review.

## **Rebalance effective dates**

Index Rebalance changes become effective after the close of trading on Friday after the asset class review.

# **CONSTITUENT SELECTION**

## **Constituent selection process**

A Reconstitution is conducted on a bi-monthly basis with the exception of December, at which time the top ranked asset class out of US Equity, International Equity and Commodities based on the asset class rankings of the Dynamic Asset Level Investing (D.A.L.I.) tool from Nasdaq Dorsey Wright are considered for Index inclusion.

The ETFs within each portfolio sleeve inventory are listed in **Schedule II**, found in Appendix A.

## CONSTITUENT WEIGHTING

### Constituent weighting scheme

The Index is a modified equal-weighted index.

### Constituent weighting process

The Index is rebalanced in conjunction with the Index Evaluation and according to **Schedule I**, found in Appendix A, to a modified value based on the quantitative investment strategy. During each quarterly rebalance, the core portion of each asset class portfolio is equally distributed between each ETF that it holds.

If chosen for the Index, the asset class portfolio (sleeve) is rebalanced quarterly in January, April, July and October on the 4th week containing a Friday:

- **Domestic Equities:** 35% core holding equally distributed between exposure to a Large Cap Growth ETF and a Small Cap Growth ETF; 65% tactical holding tracking the Dorsey Wright Focus Five Index
- **International Equities:** 35% core holding equally distributed between a Developed Markets ex-US ETF and a Emerging Markets ETF; 65% tactical holding tracking the Dorsey Wright International Focus Five Index.
- **Commodities:** 100% allocated to a broad commodity ETF.

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

## INDEX MAINTENANCE

### Deletion policy

If, at any time during the year other than the Index Reconstitution(s), an Index Security no longer meets the Eligibility Criteria, or is otherwise determined to have become ineligible for inclusion in the Index, it is removed from the Index. 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 deleted at any time during the year other than the Index Reconstitution(s) are not replaced.

## Corporate actions

In the interim periods between scheduled index reconstitution 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.”

### Exception(s):

- Spin-offs – If an ETF that is an Index Security conducts a spin-off of another security, no price or Index Share adjustment will be made to the Index Security, and the spinco will not be added to the Index.

## 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.

## APPENDIX A: SCHEDULE I – INDEX REBALANCE MATRIX

Asset Class Level	Review Schedule
Standard Frequency of Review	Every 2nd and 4th Friday other than December when it is only 2nd Friday
International Moving In or Out of #1 Asset Class	Review will skip the 2nd Friday in January, April, July and October.  Review will skip the 4th Friday in March, June, September and December if the First Trust Nifty Fifty Equal Weight ETF (NFTY) is a component of the Dorsey Wright International Focus Five Index.

Tactical Sleeve Level	Review Schedule
Dorsey Wright Focus Five Index	2nd and 4th week containing a Friday
Dorsey Wright International Focus Five Index	1st and 3rd week containing a Friday
Rebalance Back to Target Allocations	Quarterly on the 4th week containing a Friday in January, April, July and October

## APPENDIX B: SCHEDULE II – ASSET PORTFOLIO MODEL INVENTORY

Ticker	Name	Bucket	Portfolio Sleeve
FTC	First Trust Large Cap Growth AlphaDEX	Large Cap Growth	Domestic Equity
FYC	First Trust Small Cap Growth AlphaDEX	Small Cap Growth	Domestic Equity
FDT	First Trust Developed Markets ex-US AlphaDEX	Developed Markets	International Equity
FEM	First Trust Emerging Markets AlphaDEX	Emerging Markets	International Equity
FTGC	First Trust Global Tactical Commodity Strategy	Commodity	Commodity

## 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 Indexes are calculated Monday through Friday, except on days when the Nasdaq 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 and the classification of dividends and associated tax rates, 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 Indexes are calculated during the trading day based on the Last Sale Price and are disseminated once per second from 09:30:01 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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