

Nasdaq US Large Cap Equities for Rising Rates Index Methodology

Index Description

The Nasdaq US Large Cap Equities for Rising Rates Index consists of US securities whose stock prices have historically exhibited relatively high correlation to movements in interest rates. The Index contains 50 stocks across 5 industries. The securities included in the Index must meet certain market capitalization and liquidity requirements.

Index Calculation

The Nasdaq US Large Cap Equities for Rising Rates 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. 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 June 29, 2017 at 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:

- The price return index (NQERR) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index (NQERRT) reinvests cash dividends on the ex-date.
- The net total return index (NQERRN) reinvests cash dividends on the ex-date based on the securities 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.

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 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 shares of beneficial interest of REITs.

Eligibility Criteria

To be eligible for inclusion in the Nasdaq US Large Cap Equities for Rising Rates Index, a security must first meet the following criteria:

- be a member of the Nasdaq US 500 Large Cap Index (NQUS500LC)²;
- been publicly traded for at least three years;
- a minimum three-month average daily dollar trading volume (ADDTV) of \$5 million;
- may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being Index eligible;
- may not be issued by an issuer currently in bankruptcy proceedings; and
- the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn.

Each security in the Nasdaq US 500 Large Cap Index is evaluated to determine its weekly market-neutral correlation with the US 10-year Treasury yield over the previous three years. A security correlation rank is assigned to each security such that the security with the highest correlation receives the highest rank. The industry Indexes in the table below are evaluated to determine their weekly correlation with the US 10-year Treasury yield over the previous three years. Industries are defined by the Industry Classification Benchmark (ICB), a product of FTSE and licensed for this use. An industry Index correlation rank is assigned to each industry such that the industry with the highest correlation receives the highest rank.

Nasdaq US Large Cap Energy	Nasdaq US Large Cap Telecommunications
Nasdaq US Large Cap Basic Materials	Nasdaq US Large Cap Utilities
Nasdaq US Large Cap Industrials	Nasdaq US Large Cap Financials
Nasdaq US Large Cap Consumer Discretionary	Nasdaq US Large Cap Real Estate
Nasdaq US Large Cap Health Care	Nasdaq US Large Cap Technology
Nasdaq US Large Cap Consumer Staples	

The five industries with the highest industry index correlation ranks are selected. For each of the five industries, the 10 securities from NQUS500LC with the appropriate industry classification and the highest security correlation ranks are selected for inclusion in the Index for a total of 50 securities. This same process is applied to securities in the Nasdaq US 600 Mid Cap Index (NQUS600MC). If there are less than 10 securities in any of the selected industries using NQUS500LC, the top-ranked securities from NQUS600MC are selected until there are 10 securities for each industry.

Index Evaluation

The Index is evaluated quarterly on the last Friday of March, June, September and December. If the last Friday is a market holiday, the Index will be evaluated on the previous trading day. The above Eligibility Criteria are applied using available market data as of the

² Under certain circumstances, securities from the Nasdaq US 600 Mid Cap Index (NQUS600MC) are eligible for inclusion.

evaluation date. Security additions and deletions are made effective five trading days after the evaluation date after the close.³ If this day is a market holiday, the changes will be made effective after the following trading day.

Additionally, if at any time during the year other than the Evaluation, an Index Security is determined to have become ineligible for continued inclusion in the Index due to bankruptcy, delisting, or a definitive agreement that would likely result in the security no longer being Index eligible, the security is removed from the Index and is not replaced. Ordinarily, a security will be 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 weighting methodology. The five selected industries in the Index are given the following weights based on their industry index correlation rank:

- #1 ranked industry – 30%
- #2 ranked industry – 25%
- #3 ranked industry – 20%
- #4 ranked industry – 15%
- #5 ranked industry – 10%

³ A one-time, special consideration was made for the June 2017 Index Evaluation/Rebalancing, as the changes became effective after the close of the market on the third trading day in July, instead of the fifth trading day in July.

The 50 securities selected for the Index are assigned an equal weight within their respective sector. The changes are effective after the close of trading five trading days after the quarterly evaluation date. If this day is a market holiday, the changes will be made effective after the close of the next trading day.

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

February 2021