



## INDEX METHODOLOGY

# NASDAQ GLOBAL SMART AIRLINES INDEX

## NQGSSA

### INDEX DESCRIPTION

The Nasdaq Global Smart Airlines Index offers modified factor-weighted exposure to the 30 most liquid securities from the airlines sector.

### SECURITY ELIGIBILITY CRITERIA

#### Parent index

A security must be a component of the Nasdaq Global Index (NQGI) on the Index Reconstitution Reference Date.

#### Eligible security types

Eligible security types generally include common stocks, ordinary shares, depositary receipts (both American and Global), depositary shares, shares of beneficial interest or limited partnership interests and tracking stocks.

#### Multiple classes of securities

One security per issuer is permitted. If an issuer has multiple listed security classes, the security with the highest three-month average daily dollar traded value generally is considered for possible inclusion in the Index.

#### Eligible exchanges

A security must be listed on an Index-eligible global stock exchange, excluding a few exchanges. Global stock exchanges are reviewed periodically for eligibility. The exchanges which are ineligible for inclusion in the Index are:

- Istanbul Stock Exchange
- Korea Stock Exchange

- Sao Paulo Stock Exchange
- Shanghai Stock Exchange
- Shenzhen Stock Exchange
- Taiwan Stock Exchange

For more information, and a complete listing of Index-eligible exchanges, please refer to the **Nasdaq Eligible Exchange Policy**.

### **Industry or sector eligibility**

A security must be classified in the Airlines or Aerospace Subsector, according to the Industry Classification Benchmark (ICB), a product of FTSE International Limited that is used under license.

### **Float eligibility criteria**

At least 20% of a security's total shares outstanding must be publicly available for trading (float shares).

### **Other eligibility criteria**

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.

## **INDEX CALENDAR**

### **Reconstitution schedule**

The Index Reconstitution is conducted once annually in March.

### **Reconstitution reference dates**

The Security Eligibility Criteria are applied using market data as of the end of February.

### **Reconstitution announcement dates**

Index Reconstitutions are announced in early March.

### **Reconstitution effective dates**

Index Reconstitutions are effective at market open on the first trading day after the third Friday in March.

## **Rebalance schedule**

The Index is rebalanced quarterly in March, June, September and December.

## **Rebalance reference dates**

Index rebalances use value factor data for Index Securities as of each previous quarter-end (December, March, June, and September, respectively) and volatility and growth factor data of all Index Securities as of the prior month-end (February, May, August and November, respectively).

## **Rebalance announcement dates**

Index Rebalance changes are announced in early March, June, September and December.

## **Rebalance effective dates**

Index Rebalance changes become effective at market open after the third Friday in March, June, September and December.

# **CONSTITUENT SELECTION**

## **Constituent selection process**

Eligible securities are ranked by descending three-month average daily traded value. The top 30 securities are selected.

# **CONSTITUENT WEIGHTING**

## **Constituent weighting scheme**

The Index is a modified factor-weighted index.

## **Constituent weighting process**

Index Securities receive factor values for three factors: Volatility, Value and Growth:

- Volatility is calculated as the trailing one-year volatility as of the last trading day in the prior month.
- Value is defined as the Cash Flow to Price ratio, which is calculated as the most recent reported cash flow data divided by market capitalization as of the previous quarter (The Value scores are subject to an 80% winsorization: no score can be above the 90% percentile value or below the 10% percentile value).

- Growth is calculated as the average of the three-month, six-month, nine-month and twelvemonth price returns as of the last trading day in the prior month.

Index Securities' Factor Scores are calculated as the averages of the Index Securities' normalized Volatility, Value, and Growth factor z-scores. Negative Factor Scores are adjusted to equal the minimum positive Factor Score. Initial index weights are calculated as these adjusted Factor Scores divided by the sum of the adjusted Factor Scores of all securities in the Index. The Indexes then each undergo a three stage weight adjustment process.

### **Stage 1**

Initial Index weights are adjusted to meet the following Stage 1 constraint, producing the Stage 1 weights:

- No Index Security weight may exceed 8%.

### **Stage 2**

Stage 1 weights are adjusted to meet the following Stage 2 constraints, producing the Stage 2 weights:

- For the Index Securities with the five highest adjusted Factor Scores, stage 1 weights are maintained.
- For all other Index Securities, no weight may exceed 4%.

### **Stage 3**

Stage 2 weights are adjusted to meet the following Stage 3 constraints, producing the final weights:

- No Index security weight may be less than 0.25%.

## **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 Index Security is determined to be 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. Please refer to **Nasdaq's Corporate Actions and Events Manual – Equities** for detailed handling of the aforementioned event types.

### **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 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

Changes in the price and/or Index Shares driven by corporate events such as stock dividends, stock splits and certain spin-offs and rights issuances are adjusted on the ex-date.

For handling of changes in total shares outstanding (TSO) greater than 10% arising from other corporate events, please refer to **Nasdaq Corporate Actions and Events Manual – Equities**.

## 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 and does not close for holidays, as it is a Global Index.

### 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 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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