

Nasdaq Ino Investor Canada IndexSM Methodology

Index Description

The Nasdaq Ino Investor Canada IndexSM is designed to provide exposure to high quality Canadian companies that consistently generate shareholder wealth, while trading at attractive multiple. The Index is based on the philosophy of Economic Profit, a measure of corporate financial performance.

Index Calculation

The Nasdaq Ino Investor Canada Index is an equal 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 November 21, 2016, at a base value of 1000.

The formula for index value is as follows:

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

The formula for the divisor is as follows:

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

Three versions of the Index are calculated:

- The price return index (Nasdaq: NQICA) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index (Nasdaq: NQICAT) reinvests cash dividends on the ex-date.
- The net total return index (Nasdaq: NQICAN) reinvests cash dividends on the ex-date based on 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 from 09:30:01 to 17:16:00 ET in CAD. The closing value of the Index may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

¹For 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 ordinary shares.

Eligibility Criteria

To be eligible for inclusion in the index, a security must meet the following criteria:

- be a component in Inovestor's StockPointer™ Universe of more than 1,500 Canadian securities with a minimum 3-Year trading history;
- minimum market capitalization of CAD 200 million;
- must be listed on a Canadian exchange;
- 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;
- may not be issued by an issuer currently in bankruptcy proceedings; and
- additional eligibility criteria are applied as specified in the selection process.

Selection Process

The selection process utilizes the philosophy of Quality at Reasonable Price and categorizes security selection using a multi-factor approach on the entire StockPointer™ universe. A Score Card is used to evaluate companies (for economic performance and risk) and an Economic Profit Sector Analysis is used to derive sector allocation and attributions. Some of the key performance indicators can be broadly defined per the following quality and value dimensions; profitability, growth, safety, management quality, reasonable valuations and shareholders yield.

Step-by-step Process:

- 1- Top 100 securities by Economic Profit are determined using data from the end of the most recent quarter;
- 2- Sector weights in the Top 100 by Economic Profit are calculated;
- 3- Apply sector weights from Top 100 and proportionally apply to the number of securities in each sector based upon the index containing 25 securities;
- 4- Use SPscore screen to identify best securities in each sector (Quality at Reasonable Price);
- 5- If many securities share the same SPscore, use table below to identify the security (securities) that will enter the index. (The security that has the highest score in the most variables is included);
- 6- When rebalancing the index every quarter, the securities included are those with the top SPscores within their respective sector. Securities will remain in the index if the delta between the security's SPscore and the #1 security's SPscore in the same sector is less than 5%. (Ex: the index holds security A leading up to an evaluation which has an SPscore of 68% and is ranked #4 in the Financials sector. Security B is ranked #1 in the Financials sector with an SPscore of 72%. Since delta between

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

security A and B is only 4%, security A remains in the index. If security B had an SPscore of 75%, the index would remove security A and add security B.)

The 25 securities are selected with optimal performance and risk attributes (StockPointer™ Score), which blends Quality and Value factors as shown in the table below.

QUALITY	VALUE
Profitability <ul style="list-style-type: none"> - Return on invested capital - Cost of capital - Free cash flow / Invested capital 	Reasonable Valuation <ul style="list-style-type: none"> - Price to intrinsic value (P/IV) - Relative P/IV - Future growth value (FGV) - Relative FGV
Management Quality <ul style="list-style-type: none"> - Economic Profit & Economic Profit growth - Dividend growth 	Shareholder Yield <ul style="list-style-type: none"> - Dividend yield - Buyback yield
Growth <ul style="list-style-type: none"> - Revenue growth - NOPAT growth 	
Safety <ul style="list-style-type: none"> - Financial leverage - Business model variability - Payout 	

This process is applied during each rebalance to determine constituents going into and coming out of the index.

Index Evaluation

The Index is evaluated quarterly using market data through the end of March, June, September, and December. Securities meeting the criteria are included in the Index. Security additions and deletions are made effective after the close of trading on the third Friday in April, July, October, and January.

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 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.

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 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. All changes are announced in advance and are reflected in the Index prior to market open on the Index effective date.

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

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