



INDEX METHODOLOGY

## NASDAQ CTA ARTIFICIAL INTELLIGENCE INDEX™

### NQINTEL

#### INDEX DESCRIPTION

The Nasdaq CTA Artificial Intelligence Index is designed to track the performance of companies engaged in the artificial intelligence segment of the technology, industrial, medical and other economic sectors. The companies are selected based on classification by Consumer Technology Association (CTA).

#### SECURITY ELIGIBILITY CRITERIA

##### Eligible security types

Eligible security types generally include common stocks, ordinary shares, depositary receipts, depositary shares, shares of beneficial interest of REITs, limited partnership interests and tracking stocks.

##### Multiple classes of securities

One security per issuer is permitted. If an issuer has multiple securities, the security with the highest three-month average daily 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. Global stock exchanges are reviewed periodically for eligibility. 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's issuer must be classified by CTA as an Artificial Intelligence company fitting the classification of Enabler, Engager or Enhancer:

1. **Enabler** - a company that develops the building block components for artificial intelligence, such as advanced machinery, autonomous systems/self-driving vehicles, semiconductors or databases used for machine learning

2. **Engager** - a company that designs, creates, integrates or delivers artificial intelligence in the form of products, software or systems
3. **Enhancer** - a company that provides its own value-added services within the Artificial Intelligence ecosystem that are not core to its product or service offering.

### **Market capitalization eligibility**

A security must have a market capitalization of at least \$250 million (USD).

### **Liquidity eligibility**

A security must have a three-month average daily traded value of at least \$3 million (USD).

### **Float eligibility**

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

### **ESG eligibility**

A security's issuer must not be positively identified by Sustainalytics as exhibiting the following characteristics:

- Non-compliance of the United Nations Global Compact
- Any involvement, including through corporate ownership, in the core weapon system or components/services of the core weapon system
- Any involvement or significant ownership in manufacturing tobacco products, supplying tobacco-related products/services or deriving at least 10% of revenues from distribution and/or retail sales of tobacco products
- Having Thermal Coal comprise at least 25% of either total energy extraction or total generating capacity

### **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 semi-annually in March and September.

## **Reconstitution reference dates**

Unless otherwise specified, the Security Eligibility Criteria and Constituent Selection Process are applied using data as of end of January and July, respectively.

## **Reconstitution announcement dates**

Index Reconstitutions are announced in early March and September.

## **Reconstitution effective dates**

Index Reconstitutions become effective at market open on the trading day following the third Friday in March and September.

## **Rebalance schedule**

The Index is rebalanced in conjunction with the Reconstitution. The Rebalance Announcement and Effective dates are the same as those of the Index Reconstitution.

## **Rebalance reference dates**

The Index Rebalance is conducted using data as of the end of February and August, respectively.

# **CONSTITUENT SELECTION**

## **Constituent selection process**

Securities that meet the Security Eligibility Criteria are ranked by CTA AI Intensity Rating in one of the three categories: Engager, Enabler or Enhancer. CTA's AI Intensity Ratings capture the perceived degree of a company's AI sector involvement within each category. Securities that are ranked in the top 15 in each category, including ties, are selected for inclusion in the Index.

# **CONSTITUENT WEIGHTING**

## **Constituent weighting scheme**

The Index is a modified equal-weighted index.

## **Constituent weighting process**

NQINTEL employs a two-level weight adjustment scheme.

Based on CTA classification, each security belongs to the Enabler, Engager, or Enhancer classification group. The classification groups' weights are set to the following values:

- Enablers: 40%
- Engagers: 50%
- Enhancers: 10%

Within classification groups, initial Index Security weights are equal. Initial index weights are then adjusted to meet the following constraints:

- No Index Security weight may exceed 25% of the ratio between the security's three-month average daily traded value and \$50 million (USD).
- No Index Security weight may exceed 4.5%.
- Classification group weights are only adjusted if security-level constraints necessitate.

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

## INDEX MAINTENANCE

### Deletion policy

If, at any time other than an Index Reconstitution, Nasdaq determines that an Index Security has or will undergo a fundamental alteration that would make it ineligible for Index inclusion, the Index Security is removed as soon as practicable.

Such alterations may include a merger, acquisition, or other major corporate event that would otherwise adversely impact the integrity of the Index.

### Replacement policy

Index Securities are not replaced in the Index outside of the Index Reconstitution.

### Addition policy

Index Securities are not added to the Index outside of the Index Reconstitution.

### Corporate actions

In the interim periods between scheduled index reconstitution and rebalancing 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's 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**

Other than as a direct result of corporate actions, the index does not normally experience share adjustments between scheduled index rebalance and reconstitution events.

## **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, except on days when Nasdaq US 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 **Nasdaq Index Policies & Procedures: 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 index is calculated starting by the earliest time zone (Asia/Tokyo) and closes by the latest time zone (America/New York) in USD.

## 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.