

Nasdaq US Mega Cap Select Leaders IndexSM Methodology

Index Description

The Nasdaq US Mega Cap Select Leaders Index is designed to provide exposure to the largest US companies within the Nasdaq US 500 Large Cap Index with a tilt to lower volatility companies.

Index Calculation

The Nasdaq US Mega Cap Select Leaders Index is a modified equal dollar 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 June 26, 2017 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:

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

Three versions of the Index are calculated:

- The price return index (Nasdaq: NQMGUSL) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index (Nasdaq: NQMGUSLT) reinvests cash dividends on the ex-date.
- The net total return index (Nasdaq: NQMGUSLN) reinvests cash dividends on the ex-date based on an Index security's country of incorporation withholding rate.

The 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. 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.

Eligibility

Index eligibility is limited to specific security types only. The security types eligible for the Index include common stocks and REITs.

¹ For purposes of this document, Last Sale Price refers to the following:

For a security listed on NASDAQ, it is the last sale price on NASDAQ, which normally would be the NASDAQ Official Closing Price (NOCP) when NASDAQ is closed. For any NYSE-listed or NYSE Amex-listed security, it is the last regular way trade reported on such security's primary U.S. listing market. If a security does not trade on its primary listing market on a given day, the most recent last sale price from the primary listing market (adjusted for corporate actions, if any) is used.

Eligibility Criteria

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

- be a component of the Nasdaq US 500 Large Cap Index (NQUS500LC);
- be in the top 50th percentile of the Nasdaq US 500 Large Cap Index by aggregate company market cap;
- one security per issuer is permitted²;
- Additional proprietary eligibility criteria are applied.

Index Maintenance

Index Share changes generally 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.

A special cash dividend announced by the listing exchange, will result in an adjustment to the Last Sale Price for the special amount distributed and a corresponding adjustment to the Index Shares of an Index Security prior to market open on the ex-date 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.

Specific treatment of each type of corporate action or event is described in the 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 Evaluation

The Index is evaluated semi-annually in April and October. The above Eligibility Criteria are applied using market data through the end of March and September. Securities meeting the criteria are included in the Index. Security additions and deletions are made effective after the close of trading on the last trading days in April and October.

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.

² If an issuer has multiple securities, the security with the highest 3 dollar trading volume will be selected for possible inclusion into the Index.

Index Rebalancing

The Index employs a modified equal-dollar weighting methodology.

- Securities in the top 10% of aggregate market cap maintain aggregate market cap weight.
- Securities not in top 10% of aggregate market cap:
 - Equal weighted - Volatility adjusted such that components in the top two deciles by volatility (lowest volatility) receive 1% higher weight than equal weighted, bottom two deciles (highest volatility) receive 1% lower weight than equal weighted and middle 60% receive equal weights.

The weighting methodology is applied to the capitalization of each Index Security, using the Last Sale Price of the security at the close of trading on the last trading day in March and September. Index Shares are then calculated multiplying the weight of the security derived above by the new market value of the Index and dividing the modified market capitalization for each Index Security by its corresponding Last Sale Price. The changes are effective after the close of trading on the last trading days in April and October.

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

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