

Nasdaq Riskalyze Developed Markets Index Methodology

Index Description

The Nasdaq Riskalyze Developed Markets Index seeks to create a diversified portfolio of low volatility securities. The Index selects securities from the Nasdaq Developed Markets Ex-US Large Mid Cap Index based on factors such as liquidity and volatility.

Index Calculation

The Nasdaq Riskalyze Developed Markets 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 13, 2017 at a base value of 1000.00.

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 (NQRSKDM) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index (NQRSKDMT) reinvests cash dividends on the ex-date.
- The net total return index (NQRSKDMN) reinvests cash dividends on the ex-date based on the securities incorporation withholding rate.

All Indexes reflect extraordinary cash distributions.

The Indexes are calculated during the trading day and are disseminated once per second. The Indexes are calculated five (5) days a week, Monday through Friday, starting by the earliest time zone Asia/Tokyo and close by the latest time zone America/New York in USD.

Eligibility

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.

Index eligibility is limited to specific security types only. The security types eligible for the Index include common stocks, ordinary shares, depository receipts, shares of beneficial interest of REITs and preferred shares.

Eligibility Criteria

To be eligible for inclusion in the Nasdaq Riskalyze Developed Markets Index, a security must first meet the following criteria:

- be a member of the Nasdaq Developed Markets Ex-US Large Mid Cap Index (NQDMXUSLM);
- have a minimum three-month average daily dollar trading volume (ADDTV) of \$5 million;
- have traded on an Eligible exchange for at least one calendar year;
- one security per issuer is permitted²³;
- may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being Index eligible; and
- may not be issued by an issuer currently in bankruptcy proceedings.

Securities that meet these criteria are ranked by trailing twelve month volatility within their respective countries. The 25 securities with the lowest volatility from each country are selected for inclusion in the Index. If fewer than 25 securities qualify from a particular country, all securities are selected from that country for inclusion in the Index.

Index Evaluation

The Index is evaluated semi-annually at the end of March and September. The above Eligibility Criteria are applied using available market data as of the evaluation date. Security additions and deletions are made effective after the close of trading on the third Friday of the month following the evaluation (April and October, respectively).

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.

² If an issuer has multiple securities, the security with the highest three-month ADDTV will be selected for possible inclusion into the Index.

³If a current Index Security meets all criteria for index inclusion, the security may remain in the Index, even though the other issuers under their same issuer have higher ADDTV (Note: In this case, the listing ranked with the higher ADDTV will not be included in the Index as the Index only allows one security per issuer.).

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 country-sector neutral weighting methodology that seeks to limit the weight differential between both the countries and broad sectors in the Index when compared to the country and broad sector weights of the Nasdaq Developed Markets Ex-US Large Mid Cap Index (NQDMXUSLM). To achieve this, each country/sector weight from NQDMXUSLM is calculated. Securities within each country/sector of the Index are assigned an equal weight such that when aggregated, each country/sector's total weight matches that of NQDMXUSLM. If no securities from a specific country/sector pass the Eligibility Criteria, the weight for the missing country/sector is distributed proportionately among the securities in the Index. This process is repeated to account for all missing country/sectors until the total Index weight equals 100%. A cap is then employed such that the maximum weight of any Index Security does not exceed 3%. The excess weight of any capped security is distributed proportionally across the remaining Index Securities. The changes are effective after the close of trading on the third Friday 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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