

Nasdaq Victory Dividend Accelerator Index Methodology

Index Description

The Nasdaq Victory Dividend Accelerator Index seeks to create a diversified portfolio of securities which are forecasted to grow dividends. The Index selects 75 securities from the Nasdaq US Large Mid Cap Index based on factors such as dividend growth, liquidity and other financial metrics.

Index Calculation

The Nasdaq Victory Dividend Accelerator 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 March 31, 2017 at a base value of 1000.00.

The formula for index value is as follows:

Aggregate Adjusted Market Value/Divisor

The formula for the divisor is as follows:

(Market Value after Adjustments/Market Value before Adjustments) X Divisor before Adjustments

Three versions of the Index are calculated – a price return index, a total return index and a net total return index.

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

All Indexes reflect extraordinary cash distributions.

The Indexes are calculated and disseminated once per second from 9:30:01 to 17:16:00 Eastern Time (ET) in USD. The closing value of the Index(es) may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

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.

Eligibility

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

Eligibility Criteria

To be eligible for inclusion in the Nasdaq Victory Dividend Accelerator Index, a security must first meet the following criteria:

- be a member of the Nasdaq US Large Mid Index (NQUSBLM) excluding REITs and BDCs;
- have a minimum three-month average daily dollar trading volume of \$5 million;
- have at least five consecutive years of increasing annual regular dividend payments based on ex-date;
- one security per issuer is permitted (if an issue has multiple securities, the security with the highest three-month average daily dollar trading volume will be selected for possible inclusion in the indexes);
- 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.

The following 15 factors are applied with a 10-year lookback to all securities that paid a dividend during the current evaluation period in NQUSBLM:

Dividend Yield	Net Income Stability (10-year)
Return on Equity (ROE)	Sales Stability (5-year)
Return on Invested Capital (ROIC)	ROE Trend (5-year)
Pre-Tax Income to Debt	Cash to Market Value
Dividend Consistency (5-year)	Price Volatility
Trailing E/P	Size
Gross Margin	Years of Continuous Dividend Growth
Net Income Stability (5-year)	

These factors serve as the independent variables in a logit regression model that scores and ranks the input components. During the 10 year model history, if a component did not increase its dividend year-over-year, its factor data for the previous year is removed from the regression. The most recent year is also excluded as forward-looking dividend information is unavailable. The 75 names selected for inclusion in the Index use the scoring from the regression model as follows:

- Bucket 1: the top 50 scoring securities with 20+ years of dividend growth;
- Bucket 2: the top 15 scoring securities with 10-19 years of dividend growth;
- Bucket 3: the top 10 scoring securities with 5-9 years of dividend growth.

If during the course of the annual evaluation, fewer than 50 securities are eligible for Bucket 1, the number of securities selected from Bucket 2 will increase from the customary total of 15 such that Buckets 1-2 represent a total of 65 securities within the index. If the total number of securities eligible for Buckets 1-2 is less than 65, the number of securities selected from Bucket 3 will increase from the customary total of 10 such that a total of 75 securities comprise the Index.

Index Evaluation

The Index is evaluated annually at the end of March. The above Eligibility Criteria are applied using available market data as of the end of March. Security additions and deletions are made effective after the close of trading on the third Friday in April.

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.

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 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 modified market capitalization weighting methodology. At each quarter, the Index is rebalanced using a combination of dividend yield and 10-year net income stability, two factors from the above Eligibility Criteria as of the last trading day in March, June, September and December. These two factors are combined to derive a weight for the security in a manner specific to the bucket that the security falls into:

- Bucket 1: 75% dividend yield and 25% 10-year net income stability
- Bucket 2: 50% dividend yield and 50% 10-year net income stability
- Bucket 3: 25% dividend yield and 75% 10-year net income stability

The buckets are then combined and the bucket-specific weights are redistributed across the entire Index to create a final weight for each individual security. Each security is subject to a maximum 4% weight in the Index. If a security is greater than 4%, it is capped at 4% and the excess weight is distributed proportionally across the remaining Index Securities. The process is repeated, if necessary, to derive the final weights. The changes are effective after the close of trading on the third Friday in April, July, October and January.

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

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