

# Nasdaq Global ex-Australia Sector Indexes Methodology

## Index Description

The Nasdaq Global ex-Australia Sector Indexes are designed to track the performance of global ex-Australian companies that are in the Bank, Healthcare and Energy sectors.

## Index Calculation

The Nasdaq Global ex-Australia Sector Indexes are float adjusted modified market capitalization weighted indexes. The value of each Index equals the aggregate value of the Index share weights, also known as the Index Shares<sup>1</sup>, of each of the Index Securities multiplied by each such security's Last Sale Price<sup>2</sup> and spot rate, 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. Each Index began on March 21, 2016 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 in USD and AUD, as shown in Appendix A.

- The price return index is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index reinvests cash dividends on the ex-date.
- The net total return index 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, 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.

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<sup>1</sup> Index Shares are the free float shares outstanding determined by multiplying the total shares outstanding by the free float factor provided by Thomson Reuters.

<sup>2</sup> For purposes of this document, Last Sale Price refers the closing price if available or else 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 in the Index calculation and generally will represent the most liquid trading market for 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, ordinary shares, depositary receipts, shares of beneficial interest or limited partnership interests and tracking stocks.

## Eligibility Criteria

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

- be a member of the Nasdaq Global Large Cap Index (NQGLCI);
- have a country classification from an eligible country (see table in next section);
- must be classified under the following industry or subsector according the Industry Classification Benchmark (ICB), a product of FTSE International Limited that is used under License:
  - Bank – ICB 30101010
  - Healthcare – ICB 20
  - Energy – ICB 60;
- 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.

## Index-Eligible Countries

Austria	France	Mexico	Spain
Belgium	Germany	Netherlands	Sweden
Brazil	Hong Kong	Norway	Switzerland
Canada	Ireland	Singapore	Taiwan
China	Italy	South Africa	United Kingdom
Denmark	Japan	South Korea	United States
Finland	Malaysia		

Nasdaq may, from time to time, update this list.

## Index Evaluation

The Index Securities are evaluated semi-annually in March and September to allow for continued and correct representation of the changing global equity markets. The above Eligibility Criteria are applied using market data through the end of January and July. Securities are ranked in descending order based on their market capitalization as of the last trading day in January and July. The top 60 securities by market capitalization are selected and no cap is applied if the eligible universe is less than 60. Security additions and deletions are made effective after the close of trading on the third Friday in March and September.

Additionally, if at any time during the year other than the evaluation dates, an Index Security undergoes a fundamental alteration such as, but not limited to, its issuer filing for bankruptcy proceedings, switching its listing to an ineligible listing venue, or if it undergoes major corporate actions such as merger & acquisition (M&A) activity that would make the Index Security ineligible for inclusion in the Index, the security is removed from the Index

and is not replaced. In all cases, a security is 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, at 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**

Changes in the price and/or Index Shares driven by corporate events such as stock dividends, stock splits and certain spin-offs and rights issuances are adjusted on the ex-date. If the change in total shares outstanding<sup>3</sup>, arising from other corporate actions is greater than or equal to 10.0%, the change is made as soon as practicable. Otherwise, if the change in total shares outstanding is less than 10.0%, then all such changes are accumulated and made effective at one time on a quarterly basis after the close of trading on the third Friday in March, June, September and December, respectively. Intraquarter, the Index Shares are adjusted by the same percentage amount by which the total shares outstanding have changed.

Changes to the free float factor will be made as soon as practical if the change is greater than 10%, otherwise free float factor changes as of the end of February, May, August and November will be updated and made effective after the close of trading on the third Friday in March, June, September and December, respectively in conjunction with the quarterly share changes noted above.

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 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-off, 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.

## **Index Rebalancing**

The Index employs a float adjusted modified market capitalization-weighting methodology. At each quarter, the Index is rebalanced such that the maximum weight of any Index Security does not exceed 8% and no more than 5 securities are at that cap. The excess weight of any capped security is distributed proportionally across the remaining Index Securities. If after redistribution, any of the 5 highest ranked Index Securities are weighted below 8%, these securities are not capped. Next, any remaining Index Securities in excess of 4% are capped at 4% and the excess weight will be redistributed proportionally across the remaining Index Securities. The process is repeated, if necessary, to derive the final weights.

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<sup>3</sup> If a security is a depositary receipt listed in the US, the total shares outstanding is the actual depositary shares outstanding as reported by the depositary banks.

The modified market capitalization weighting is applied to the float adjusted capitalization of each Index Security, using the Last Sale Price of the security at the close of trading on the last trading day in February, May, August and November. Index Shares are then calculated by multiplying the weight of the security derived above by the new market value of the Index and dividing that float adjusted modified market capitalization for each Index Security by its corresponding Last Sale Price and spot rate. The changes are effective after trading on the third Friday in March, June, September and December.

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

## APPENDIX A – Nasdaq Global ex-Australia Sector Indexes

Index Symbol	Index Name	Description	Base Date	Base Value
<b>NQXAUBAUD</b>	Nasdaq Global ex-Australia Banks AUD Index	The Nasdaq Global ex-Australia Banks Index is designed to track the performance of the largest and most liquid global ex-Australian companies that are in the Bank sector.	3/21/2016	1000
<b>NQXAUBAUDT</b>	Nasdaq Global ex-Australia Banks Total Return AUD Index			
<b>NQXAUBAUDN</b>	Nasdaq Global ex-Australia Banks Net Total Return AUD Index			
<b>NQXAUB</b>	Nasdaq Global ex-Australia Banks Index			
<b>NQXAUBT</b>	Nasdaq Global ex-Australia Banks Total Return Index			
<b>NQXAUBN</b>	Nasdaq Global ex-Australia Banks Net Total Return Index			
<b>NQXAUHAUD</b>	Nasdaq Global ex-Australia Healthcare AUD Index	The Nasdaq Global ex-Australia Healthcare Index is designed to track the performance of the largest and most liquid global ex-Australian companies that are in the Healthcare sector.	3/21/2016	1000
<b>NQXAUHAUDT</b>	Nasdaq Global ex-Australia Healthcare Total Return AUD Index			
<b>NQXAUHAUDN</b>	Nasdaq Global ex-Australia Healthcare Net Total Return AUD Index			
<b>NQXAUH</b>	Nasdaq Global ex-Australia Healthcare Index			
<b>NQXAUHT</b>	Nasdaq Global ex-Australia Healthcare Total Return Index			
<b>NQXAUHN</b>	Nasdaq Global ex-Australia Healthcare Net Total Return Index			
<b>NQXAUEAUD</b>	Nasdaq Global ex-Australia Energy Companies AUD Index	The Nasdaq Global ex-Australia Energy Companies Index is designed to track the performance of the largest and most liquid global ex-Australian companies that are in the Energy sector.	3/21/2016	1000
<b>NQXAUEAUDT</b>	Nasdaq Global ex-Australia Energy Companies Total Return AUD Index			
<b>NQXAUEAUDN</b>	Nasdaq Global ex-Australia Energy Companies Net Total Return AUD Index			
<b>NQXAUE</b>	Nasdaq Global ex-Australia Energy Companies Index			
<b>NQXAUET</b>	Nasdaq Global ex-Australia Energy Companies Total Return Index			
<b>NQXAUEN</b>	Nasdaq Global ex-Australia Energy Companies Net Total Return Index			

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