

# Nasdaq China US Internet Tiger Index<sup>SM</sup> Methodology

## Index Description

The Nasdaq China US Internet Tiger Index is designed to track the performance of companies engaged in internet-related businesses in China and the US.

## Index Calculation

The Nasdaq China US Internet Tiger 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 Price<sup>1</sup>, 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 October 22, 2018, at a base value of 1,000.00.

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 in USD (Nasdaq: QNETCN) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index in USD (Nasdaq: QNETCNT) reinvests cash dividends on the ex-date.
- The net total return index in USD (Nasdaq: QNETCNN) reinvests cash dividends on the ex-date and adjusts for an Index Security's country of 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.

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<sup>1</sup> 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 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 (both American and Global), depositary shares, shares of beneficial interest or limited partnership interests and tracking stocks.

## **Eligibility Criteria**

To be included in the Index, a security must meet the following criteria:

- must be classified, as reasonably determined, as a company whose primary business includes internet-related services including but not limited to internet software, internet access providers, internet search engines, web hosting, website design, or internet retail commerce;
- For the China portion of the index, the securities must be members of the Nasdaq Global Index (NQGI), the Nasdaq Internet Index (QNET) or listed on the Nasdaq Stock Market, the New York Stock Exchange, NYSE American, or the CBOE Exchange and incorporated or domiciled in China;
- For the US portion of the index, the securities must be members of the Nasdaq Internet Index (QNET) and incorporated in the US;
- have a minimum worldwide market capitalization of \$500 million;
- have a minimum three-month average daily dollar trading volume of \$1 million;
- the issuer of the security must have "seasoned" on a recognized market (generally, a company is considered to be seasoned if it has been listed on a market for at least three full months);
- one security per issuer is permitted<sup>2</sup>;
- may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being Index eligible;
- may not be issued by an issuer currently in bankruptcy proceedings.

## **Index Evaluation**

The Index Securities are evaluated quarterly in March, June, September and December. The above Eligibility Criteria are applied using market data through the end of February, May, August and November, respectively. The top 10 securities of China eligible securities and top 10 securities of US eligible securities are selected by company market cap<sup>3</sup>. Security additions and deletions are made effective after the close of trading on the third Friday of March, June, September and December.

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, conducting activities that are not legal under applicable law 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

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

<sup>3</sup> Only publically listed shares of a company are used in the calculation of total company market cap.

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 outside of the evaluation and rebalancing; 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 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.

Ordinarily, whenever there is 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. 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 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 is redistributed proportionally across the remaining Index Securities. The process is repeated, if necessary, to derive the final weights.

The modified market capitalization-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 February, May, August and November after applying quarterly changes to the total shares outstanding. 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 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.

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