



## INDEX METHODOLOGY

### **NASDAQ COMPOUNDR™ INDEXES**

**NCPHY™, NCPAG™, NCPX™, NCPGV™, NCPIT™, NCPLT™**

#### **INDEX DESCRIPTION**

The Nasdaq Compoundr Indexes are designed to offer exposure that is commensurate with the total return of the underlying bond types without reinvesting dividend income. The Indexes will contain one or more core exchange-traded funds (the “core securities”) the majority of the time. The Indexes will temporarily rotate into similar exchange-traded funds (the “substitute securities”) prior to each core security’s ex-dividend date in order to avoid receiving a dividend distribution.

#### **Nasdaq Compoundr High-Yield Corporate Bond™ Index (NCPHY™)**

The Index’s core securities will be high-yield corporate bond exchange-traded funds.

#### **Nasdaq Compoundr U.S. Aggregate Bond™ Index (NCPAG™)**

The Index’s core securities will be U.S. aggregate bond exchange-traded funds.

#### **Nasdaq Compoundr U.S. Treasury 10-Year Note™ Index (NCPX™)**

The Index’s core securities will be U.S. Treasury 10-Year Note exchange-traded funds.

#### **Nasdaq Compoundr U.S. Ultra Short Treasury™ Index (NCPGV™)**

The Index’s core securities will be U.S. Ultra Short Treasury exchange-traded funds.

#### **Nasdaq Compoundr U.S. Intermediate-Term Treasury™ Index (NCPIT™)**

The Index’s core securities will be U.S. Intermediate-Term Treasury exchange-traded funds.

## **Nasdaq Compoundr U.S. Long-Term Treasury™ Index (NCPLT™)**

The Index's core securities will be U.S. Long-Term Treasury exchange-traded funds.

### **SECURITY ELIGIBILITY CRITERIA**

To qualify for Index inclusion, securities must meet the following Security Eligibility Criteria, which are applied as of the Reconstitution reference date.

#### **Security types**

A security must be an Exchange-Traded Fund ("ETF").

#### **Asset class**

A security must have a "Fixed Income" asset class description.

#### **Listing exchanges**

A security must be listed on a U.S. exchange.

#### **Liquidity**

A security must have a three-month average daily value traded ("ADVT") of at least \$1 million (USD).

#### **Seasoning**

A security must have been traded on a public exchange for at least three calendar months.

#### **Other eligibility criteria**

A security must be an ETF organized under the Investment Company Act of 1940.

A security must be open for daily creations and redemptions.

If, at reconstitution, Nasdaq becomes aware that an issuer or security will soon undergo a fundamental change that makes it ineligible, Nasdaq will remove the security from consideration. This includes entering into a definitive merger or acquisition agreement or other pending arrangement that would make it ineligible for Index inclusion, or a filing of bankruptcy or similar protection from creditors.

## CONSTITUENT SELECTION

### Constituent selection process

Except for ex-dividend dates, as well as one trading day before and one trading day after the ex-dividend dates, the Indexes will be fully invested in the following core securities:

Index Name	Core Securities
Nasdaq Compoundr High-Yield Corporate Bond Index (NCPHY)	USHY, SPHY
Nasdaq Compoundr U.S. Aggregate Bond Index (NCPAG)	AGG
Nasdaq Compoundr U.S. Treasury 10-Year Note Index (NCPX)	UTEN
Nasdaq Compoundr U.S. Ultra Short Treasury Index (NCPGV)	SGOV
Nasdaq Compoundr U.S. Intermediate-Term Treasury Index (NCPIT)	VGIT
Nasdaq Compoundr U.S. Long-Term Treasury Index (NCPLT)	TLT

An ad-hoc selection process is applied for dates on which a core security must temporarily rotate into the substitute security.

Potential substitute securities that have an upcoming ex-dividend date that overlaps with the ex-dividend date and the trading dates before and after the ex-dividend date of the core holding are not eligible for Index inclusion. All other securities that meet the applicable *Security Eligibility Criteria* are considered for Index inclusion based on the following steps:

- **Step 1.)** Calculate the daily tracking error, measured as the square root of the average squared difference in daily total returns over the trailing three-month period, between the core security and all other eligible securities.

$$Tracking\ Error = \sqrt{\frac{\sum_{i=1}^{i=N} (r_{sub} - r_{core})^2}{N}}$$

Where:

- $r_{sub}$  is the daily return of the potential substitute
  - $r_{core}$  is the daily return of the core holding
  - $N$  is number of days over the measurement period
- 
- **Step 2.)** Rank securities by daily tracking error (in ascending order).
  - **Step 3.)** The security with the lowest tracking error is selected for temporary Index inclusion.

At the market open two trading days after a core security's ex-dividend date, the Index will rotate back into the core security.

## CONSTITUENT WEIGHTING

### Constituent weighting scheme

The Index is an equal-weighted index.

### Constituent weighting process

The Index is rebalanced on an ad-hoc basis such that all securities within the Index are assigned an equal Index market value.

For additional information about index weighting, see **Nasdaq Index Weight Calculations**.

## INDEX CALENDAR

The Index follows an ad-hoc reconstitution and rebalance schedule around each core security's ex-dividend date. The scheduled reconstitution and rebalance dates will generally be known at the beginning of each year but may be subject to change.

A three-day reconstitution and rebalance event will take place around the core security's ex-dividend date.

The Index will select a substitute security to be held for the duration of one trading day prior to the core security's ex-date through one trading day after the core security's ex-date according to the *Constituent selection process*.

The Index returns to its primary holding (i.e., the core security) two trading days after the core security's ex-dividend date.

Any time there are constituent changes, the Index is equal weighted based on the number of constituents post-change.

## Reconstitution & Rebalancing schedule

<b>Reconstitution Frequency</b>	Ad-hoc
<b>Rebalance Frequency</b>	Ad-hoc
<b>Reconstitution Reference Dates</b>	Eleventh trading day prior to the ex-dividend date of the core security
<b>Reconstitution Announcement Dates</b>	After the close on the seventh trading day prior to the ex-dividend date of the core security
<b>Reconstitution Effective Dates</b>	<b>Reconstitution 1: Rotating from Core to Substitute:</b> <ul style="list-style-type: none"><li>At the market open one trading day prior to the core security's ex-dividend date</li></ul> <b>Reconstitution 2: Rotating from Substitute to Core:</b> <ul style="list-style-type: none"><li>At the market open two trading days after the core security's ex-dividend date</li></ul>
<b>Rebalance Reference Dates</b>	Last trading day prior to each Rebalance effective date
<b>Rebalance Announcement Dates</b>	Same as Reconstitution announcement dates
<b>Rebalance Effective Dates</b>	Same as Reconstitution effective dates

## Holiday schedules

The Indexes are calculated Monday through Friday, except on days when the Nasdaq exchange is closed.

## Index calculation and dissemination schedule

Index Values are made available on each trading day via the Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaqomx.com/>. Where applicable, Index values are available throughout the trading day.

## INDEX MAINTENANCE

### Deletion policy

If, at any time other than an Index Reconstitution, Nasdaq determines that an Index Security has or will undergo a fundamental alteration such as a liquidation or other delisting event, or a material change to its underlying methodology that would make it ineligible for Index inclusion, the Index Security is removed as soon as practicable. This includes circumstances where an ETF is determined to be ineligible for continued inclusion in the Index due to a pending liquidation, delisting, or definitive agreement to merge with another fund.

## **Replacement policy**

Index Securities are not replaced in the Index outside of the Index Reconstitution(s).

## **Corporate actions**

In the interim periods between scheduled Index reconstitution events, individual Index securities may be the subject to a variety of corporate actions and events that require maintenance and adjustments to the Index. Specific treatment of each type of corporate action or event is described in Nasdaq's **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 share adjustments**

Other than as a direct result of corporate actions, the Index does not normally experience share adjustments between scheduled Index rebalance and reconstitution events.

# **ADDITIONAL INFORMATION**

## **Announcements**

Nasdaq announces Index-related information via the Nasdaq Global Index Watch (GIW) website at <http://indexes.nasdaqomx.com>.

For more information on the general Index Announcement procedures, please refer to the **Nasdaq Index Methodology Guide**.

## **Unexpected market closures**

For information on Unexpected Market Closures, please refer to the **Nasdaq Index Methodology Guide**.

## **Calculation types**

For information on the Index calculation types as well as the mathematical approach used to calculate the Index(es), please refer to the **Calculation Manual – Equities and Commodities**.

## **Recalculation and restatement policy**

For information on the Recalculation and Restatement Policy, please refer to the **Nasdaq Index Recalculation Policy**.

## Data sources

For information on data sources and the classification of dividends and associated tax rates, please refer to the **Nasdaq Index Methodology Guide**.

## Contact information

For any questions regarding an Index, please contact the Nasdaq Index Client Services team at [indexservices@nasdaq.com](mailto:indexservices@nasdaq.com).

## Index dissemination

Index values and weightings information are available through Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaqomx.com/> as well as the Nasdaq Global Index FlexFile Delivery Service (GIFFD) and Global Index Dissemination Services (GIDS). Similar to the GIDS offerings, Genium Consolidated Feed (GCF) provides real-time Index values and weightings for the Nordic Indexes.

For more detailed information regarding Index Dissemination, see the **Nasdaq Index Methodology Guide**.

## Website

For further information, please refer to Nasdaq GIW website at <https://indexes.nasdaqomx.com/>.

## FTP and dissemination service

Index values and weightings are available via FTP on the Nasdaq Global Indexes FlexFile Delivery Service (GIFFD). Index values are available via Nasdaq's Global Index Dissemination Services (GIDS).

## GOVERNANCE

All Nasdaq Indexes are managed by the governance committee structure and have transparent governance, oversight, and accountability procedures for the Index determination process. For further details on the Index Methodology and Governance overlay, refer to the **Nasdaq Index Methodology Guide**.

## GLOSSARY OF TERMS AS USED IN THIS DOCUMENT

For the glossary of key terms, please refer to the **Nasdaq Index Methodology Guide**.

## DISCLAIMER

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity, including but not limited to, quantitative inclusion criteria. Nasdaq may also, due to special circumstances, if deemed essential, apply discretionary adjustments to ensure and maintain the high quality of the index construction and calculation. Nasdaq does not guarantee that any Index accurately reflects future market performance.

Neither Nasdaq, Inc., its third-party providers, nor any of their respective affiliates (collectively "Corporations") make any recommendation to buy or sell any security or any representation about the financial condition of any company. Investors should undertake their own due diligence and carefully evaluate companies before investing. The information contained herein is provided for informational and educational purposes only, and nothing contained herein should be construed as investment advice, either on behalf of a particular security or an overall investment strategy. **ADVICE FROM A SECURITIES PROFESSIONAL IS STRONGLY ADVISED.**