



INDEX METHODOLOGY

ISE CYBER SECURITY™ INDEX

HXR™

INDEX DESCRIPTION

The ISE Cyber Security Index is designed to track companies actively involved in providing cyber security technology and services.

SECURITY ELIGIBILITY CRITERIA

Eligible security types

Index eligibility is limited to common stock and depositary receipts.

Multiple classes of securities

One security per issuer is permitted. If an issuer has multiple otherwise-eligible securities, one of which is an Index Security as of the Reconstitution Reference Date, only that security may be eligible; otherwise, only the security with the highest six-month average daily traded value may be eligible.

Eligible exchanges

Securities must be listed on an eligible exchange. A complete list of eligible exchanges can be found in the **Nasdaq Eligible Exchanges Policy**.

Industry or sector eligibility

The issuer of the security must be a direct service provider (hardware/software developer) for cyber security and for which cyber security business activities are a key driver of the business, or a company whose business model is defined by its role in providing cyber security services and for which cyber security business activities are a key driver of the business. This determination is made by the Index Security Selection Committee. For more information, please see the **Industry Classification Methodology Guide - ISE Cyber Security® Industry Classification**.

Market capitalization eligibility

Each security must have a minimum free float market capitalization of \$100 million as of the reference dates.

Liquidity eligibility

Each security must have a minimum three-month average daily dollar trading volume (ADDTV) of \$1 million through the period three months leading up to the reference date.

Seasoning eligibility

The security must have “seasoned” for at least three calendar months prior to the reference date on an index-eligible exchange.

INDEX CALENDAR

Reconstitution schedule

The Index is reconstituted quarterly in March, June, September and December by applying the Constituent Selection Process to all securities that meet the applicable Security Eligibility Criteria.

Reconstitution reference dates

The Security Eligibility Criteria are applied using available market data as of the end of January, April, July and October, respectively.

Reconstitution announcement dates

Changes are announced approximately five (5) business days prior to the effective date of quarterly changes.

Reconstitution effective dates

Index Reconstitutions become effective at market open on the trading day after the third Friday in March, June, September and December, respectively.

Rebalance schedule

The Index is rebalanced quarterly in March, June, September and December by applying the Constituent Weighting Process.

Rebalance reference dates

The Index Rebalance uses market data as of the prior month-end (February, May, August and November, respectively).

Rebalance announcement dates

Index Rebalance changes are announced in early March, June, September and December, respectively.

Rebalance effective dates

Index Rebalance changes become effective at market open on the trading day after the third Friday in March, June, September and December, respectively.

CONSTITUENT SELECTION

Constituent selection process

All securities that meet the applicable Security Eligibility Criteria are included in the Index.

CONSTITUENT WEIGHTING

Constituent weighting scheme

The Index is a modified equal-weighted index.

Constituent weighting process

HXR employs a two-level weight adjustment scheme.

Sector Classification weights are determined by dividing the aggregate market capitalization of all Index Securities within each Sector Classification by the aggregate market capitalization of all Index Securities. Within these Sector Classification groups weighted by market capitalization, initial Index Security weights are equal. Initial index weights are then adjusted within each Sector Classification to meet the following constraints:

- Based on a theoretical index tracking assets under management, no Index Security weight may exceed 10% of the ratio between the Index Security's three-month ADDTV and the theoretical index's three-month ADDTV.
- Based on a theoretical index tracking assets under management, no Index Security weight may exceed 7.5% of the ratio between the Index Security's market capitalization and the theoretical index's AUM.
- No Index Security weight may exceed 20% of the entire index.

- The aggregate weight of Index Securities whose weights exceed 5% of the entire index may not exceed 50%.
- Sector Classification weights are only adjusted if security-level constraints necessitate.

For additional information about index weighting, see **Nasdaq Standard Index Weight Adjustment Guidelines**.

INDEX MAINTENANCE

Deletion policy

If, at any time other than an Index Evaluation, Nasdaq determines that an Index Security has or will undergo a fundamental alteration that would make it ineligible for Index inclusion, the Index Security is removed as soon as practicable.

Replacement policy

Index Securities are not replaced in the Index outside of the Index Reconstitution.

Addition policy

Index Securities are not added to the Index outside of the Index Reconstitution.

Corporate actions

In the interim periods between scheduled index reconstitution and rebalancing 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 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**.

Holiday schedules

The Index is calculated Monday through Friday and does not close for holidays, as it is a Global Index.

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 & 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, 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.

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**.

Index calculation and dissemination schedule

All 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.

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

Index governance

All Nasdaq Indexes follow the same governance structure. For a detailed list of this information, please see the **Nasdaq Index Methodology Guide**.

Nasdaq Index Management Committee

The Nasdaq Index Management Committee approves all new Index Methodologies. This committee is comprised of full-time professional members of Nasdaq. The committee meets regularly, and reviews items including, but not limited to, pending corporate actions that may affect Index constituents, statistics comparing the composition of the indexes to the market, companies that are being considered as candidates for addition to an Index, and any significant market events.

For a detailed overview of the Index Management Committee, please see the **Nasdaq Index Methodology Guide**.

Internal reviews of methodology

For a detailed description on internal reviews of the Methodology, please see the **Nasdaq Index Methodology Guide**.

Communication with stakeholders and consultations

For a detailed description on Consultations and Communications with Stakeholders, please see the **Nasdaq Index Methodology Guide**.

Index cessation

Nasdaq has a documented procedure that is followed for Index Cessation that includes termination/retirement of an Index or Index Family.

For more information, please refer to the **Nasdaq Index Cessation Policy**.

Discretionary adjustment

This Index Methodology was created by Nasdaq to achieve the aforementioned objective of measuring the underlying purpose of each Index governed by this methodology document. Any deviations from this methodology are made in the sole judgment and discretion of Nasdaq so that the Index continues to achieve its objective.

For more information on potential adjustments including Calculation and Pricing Disruptions, Expert Judgment, and Unexpected Reconstitution/Rebalances, please 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.

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