



INDEX METHODOLOGY

NASDAQ US FREE CASH FLOW ACHIEVERS INDEX

NFCFA

INDEX DESCRIPTION

The Nasdaq US Free Cash Flow Achievers Index is designed to track the performance of U.S.-listed companies, with continuous and stable growth in free cash flow. Companies are evaluated based on trailing 11 years of free cash flow. The index selects companies that have demonstrated consistent positive free cash flow and stable year-over-year growth in free cash flow.

SECURITY ELIGIBILITY CRITERIA

Security Universe

The index universe consists of all issuers from the Nasdaq US Benchmark Index (NQUSB). Please refer to that methodology for further information about their constituent selection and eligibility. The reference universe for the Index is the composition of the index universe as of the Index Reconstitution Reference Date.

Security types

A security must be classified as a security type that is eligible for the NASDAQ US Benchmark Index (NQUSB). Please refer to that methodology for more information.

Seasoning

A security must have at least eleven years of fundamental data prior to the Index Reconstitution Reference Date.

Sector

A security must not be in the Financials or Real Estates sector to be eligible for selection.

Other eligibility

Securities are selected based on trailing 11-year free cash flow. Only securities with positive free cash flow in each of the trailing 11 years are eligible for selection.

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, or other events as described in Section 3 of **Corporate Actions and Events Manual – Equities**.

INDEX CALENDAR

Reconstitution schedule

The Index is reconstituted annually in June by applying the Constituent Selection Process to all securities that meet the applicable Security Eligibility Criteria.

Reconstitution reference dates

Unless otherwise specified, the Security Eligibility Criteria and Constituent Selection Process are applied by using data as of the last trading day of May.

Reconstitution announcement dates

Index Reconstitutions are announced in early June.

Reconstitution effective dates

Index Reconstitutions become effective at market open on the first trading day following the third Friday of June.

Rebalance schedule

The Index is rebalanced quarterly in March, June, September, and December.

Rebalance reference dates

Unless otherwise specified, the Security Eligibility Criteria and Constituent Selection Process are applied by using data as of the last trading day of February, May, August, and November.

Rebalance announcement dates

Index Rebalances are announced in early March, June, September, and December

Rebalance effective dates

Index Rebalances become effective at market open on the first trading day following the third Friday of March, June, September, and December.

Holiday schedules

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

Index calculation and dissemination schedule

The Index Value is calculated five (5) days a week, Monday through Friday, once per second from the start of the trading day in Tokyo (09:00:01 Japan Standard Time) until the close of the trading day in New York (17:16:00 Eastern Time).

CONSTITUENT SELECTION

Of the eligible securities, the top 50 based on highest count of positive year-over-year changes in free cash flow over the past 11 years are selected for inclusion.

The trailing 3-year compounded annual growth rate (CAGR) of free cash flow is used as a tiebreaker.

Constitution Selection Reference Dates

The Constituent Selection Process is applied by using market capitalization data as of the Index Reconstitution Reference Date and free cash flow input data as of the last trading day from the end of last December.

Example:

- June 2023 Reconstitution: Uses free cash flow data from the last trading day of December 2012 through the last trading day of December 2022.

CONSTITUENT WEIGHTING

Constituent weighting scheme

The Index is a modified full market capitalization-weighted index.

Constituent weighting process

Weight Calculation

Each Index Security's initial weight is determined by dividing its full market value by the aggregate full market value of all index securities. Initial weights are then adjusted to determine final weights.

Weight Adjustment

Initial Index weights are adjusted to reduce excessive concentration. The weight adjustment is described below:

- Step 1: Raise each Index Security's initial index weight to the power, P , where P is a value between 0 and 1 (*Adjusted Initial Weight*). Please see **Weight Constraints** below.
- Step 2: Divide the *Adjusted Initial Weight* from Step 1 by the aggregate *Adjusted Initial Weight* of all Index Securities.

Final weights are those determined from Step 2 above.

Weight Constraints

The exact power, P , is determined through an iterative process where weights are re-evaluated by reducing P in increments of 0.0001. The power, P , is incrementally reduced until the following weighting constraints have been met:

- No single security may exceed 10%
- Aggregate weights of securities greater than 4.75% does not exceed 45%.

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

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 that would make it ineligible for Index inclusion, the Index Security is removed as soon as practicable. Such alternations may include a merger, acquisition or other major corporate event that would otherwise adversely affect the integrity of the Index.

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. With the exception(s) noted below, 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 "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 **Nasdaq Index Policies & Procedures: 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 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.

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

Index governance

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

A methodology document is created for all new Index Methodologies. The methodology document includes the following: Index Objective, Security Eligibility Criteria, Index Construction, Index Maintenance, Index Governance, Index Policy, and Index Dissemination.

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

See **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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