

Nasdaq Large Cap Select Disruptors™ Index: December 2024 Reconstitution Review

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Launched on August 4, 2023, the Nasdaq US Large Cap Select Disruptors Index (NLCSD™) is designed to track 50 of the most disruptive, large-cap innovative companies in the US. Unlike certain competitive products in the thematic innovation space, NLCSD's methodology follows more of a multifactor approach that reflects the S-curve theory of business model lifecycles. In order to properly account for the requisite fundamental strength across all three stages of the disruptor lifecycle, Nasdaq developed a multi-factor ranking process that scores each security in NLCSD's universe of eligibility across six unique metrics to derive an aggregate Disruptor Score:

- Patent Value as a % of Full Market Cap – measured as the ratio of a firm's patent value to the security's full market capitalization.
- R&D Expenses as a % of Annual Sales – measured as the ratio of annual R&D expenses (over the last 12 months) relative to annual sales over the same period.
- Revenue Growth – measured as the % change of annual sales (over the last 12 months) between the most recently completed period and three years ago. Securities must have positive revenue three years ago (the base period) for inclusion.
- Gross Margin Growth – measured as the % change of the average gross margin over the last 12 months (LTM) between the most recently completed quarter and three years ago. Securities must have positive LTM gross margin three years ago (the base period) for inclusion.
- Average Gross Margin – measured as the average quarterly gross margin over the trailing 13 quarters leading up to the Index Reconstitution Reference Date.
- Gross Margin Sharpe - measured as the ratio of a firm's average quarterly gross margin to the standard deviation of a firm's quarterly gross margin over the trailing 13 quarters leading up to the Index Reconstitution Reference Date.

Each security in the starting universe – the Nasdaq US 500 Large Cap™ Index (NQUS500LC™) – is ranked according to each individual metric in an ascending order. Security ranks are then normalized using a standard Z-score formula, after which a Disruptor Score is computed by summing the six normalized ranks across securities. The top 50 securities by Disruptor Score are then selected for inclusion in the index.

The NLCSD Index is rebalanced on a quarterly basis in March, June, September and December, and reconstituted semiannually in June and December. It follows a modified free-float market capitalization weighting scheme, subject to the following constraints:

- No single security may exceed 10% of the index weight
- Aggregate weights of securities greater than 4.75% cannot exceed 50%

For the full index methodology, please go [here](#).

December 2024 Reconstitution Review

In the most recent semiannual reconstitution that went effective at market open on December 23rd, 2024, 10 of the index constituents were deleted and replaced. Three of the deletions were due to no longer meeting index eligibility requirements, while the remaining seven were due to overall ranks (disruptor scores) falling out of the top 50 in the eligible universe. Six of the deletions were from the Technology sector (per ICB Industry) and four were from Health Care.

NLCSD Index Deletions, December 2024

#	Ticker	Company Name	ICB Industry	Market Cap (\$B)	LTM Sales (\$B)	Patent Value (\$MM)	R&D % of Sales	Revenue Growth (L3Y)	Gross Margin (LTM)	Overall Rank
1	KEYS	Keysight Tech Inc.	Technology	29.5	5.2	177.9	17%	112%	64%	53
2	REGN	Regeneron Pharmaceut	Health Care	81.1	13.5	1,447	31%	109%	83%	61
3	ALGN	Align Technology	Health Care	17.4	3,9	500.3	9%	113%	70%	85
4	MCHP	Microchip Technology	Technology	36.6	6.6	1,587	16%	116%	54%	66
5	SNAP	SNAP Inc.	Technology	16.8	5.0	1,049	35%	149%	50%	68
6	SYK	Stryker CP	Health Care	149.5	21.4	2,034	6%	132%	61%	59
7	AXON	Axon Enterprise, Inc	Technology	49.3	1.8	81.5	20%	224%	60%	51
8	NTNX	Nutanix Inc.	Technology	No Longer Meets Index Eligibility: Removed from Nasdaq US 500 Large Cap Index in September 2024						
9	DT	Dynatrace, Inc	Technology	No Longer Meets Index Eligibility: Removed from Nasdaq US 500 Large Cap Index in September 2024						
10	INCY	Incyte Corp	Health Care	No Longer Meets Index Eligibility: Removed from Nasdaq US 500 Large Cap Index in September 2024						

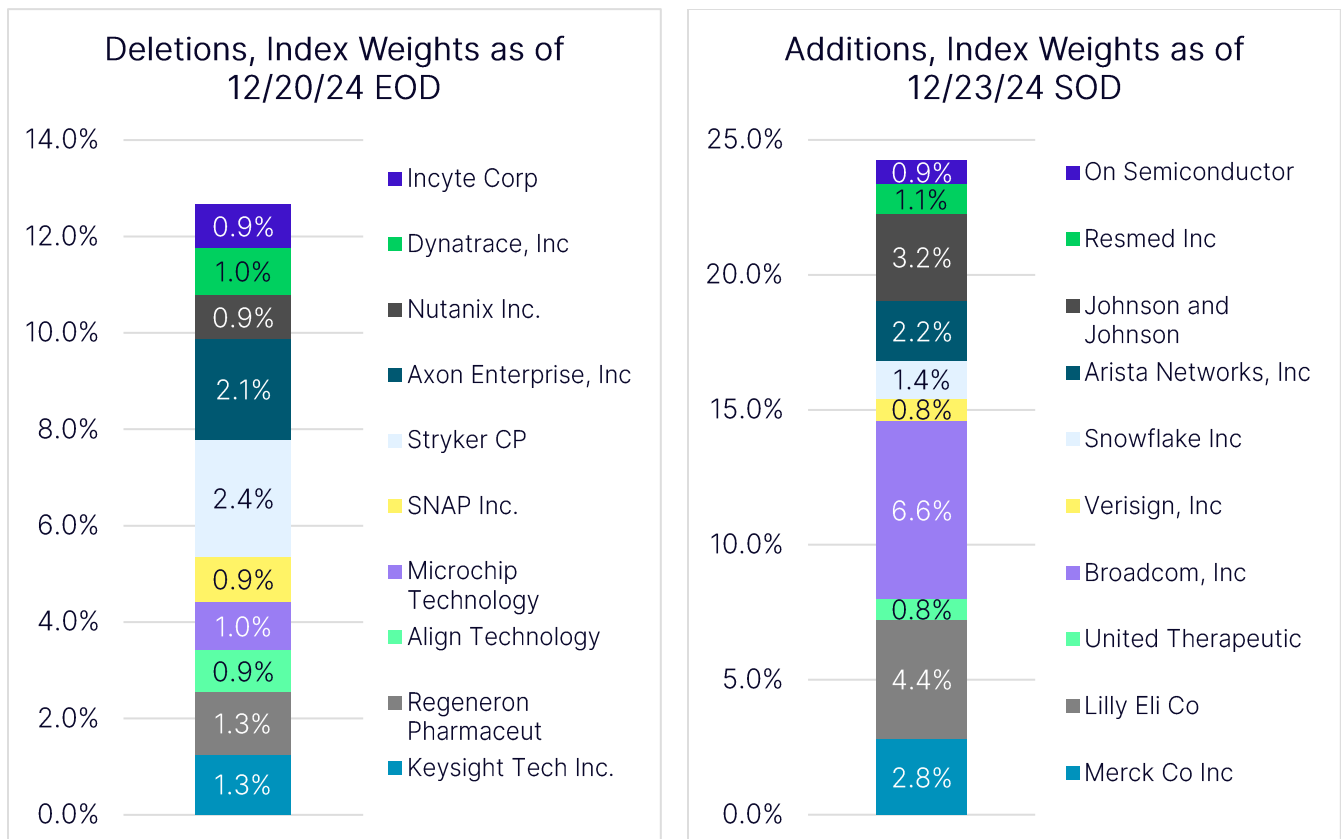
NLCSD Index Additions, December 2024

#	Ticker	Company Name	ICB Industry	Market Cap (\$B)	LTM Sales (\$B)	Patent Value (\$MM)	R&D % of Sales	Revenue Growth (L3Y)	Gross Margin (LTM)	Overall Rank
1	MRK	Merck Co Inc	Health Care	257.1	62.2	1,339	30%	142%	72%	17
2	LLY	Lilly Eli Co	Health Care	755.0	38.9	1,085	26%	146%	81%	27
3	UTHR	United Therapeutic	Health Care	16.5	2.6	105.1	18%	165%	89%	30
4	AVGO	Broadcom Inc.	Technology	757.0	42.6	2,502	18%	167%	60%	36
5	VRSN	Verisign, Inc.	Technology	18.0	1.5	105	6%	118%	87%	44
6	SNOW	Snowflake Inc.	Technology	57.7	3.0	0.0	47%	423%	67%	45
7	ANET	Arista Networks, Inc.	Technology	127.8	6.3	102.5	14%	240%	64%	46
8	JNJ	Johnson and Johnson	Health Care	373.2	86.6	14,776	17%	97%	69%	47
9	RMD	Resmed Inc	Health Care	36.6	4.7	776	7%	147%	56%	48
10	ON	On Semiconductor	Technology	30.3	7.8	1,766	8%	132%	46%	50

In terms of the new additions, five came from the Technology sector and five came from Health Care.

The largest deletions included Stryker (2.4% of index weight heading into the reconstitution), Axon Enterprise (2.1%), Keysight Tech (1.3%), and Regeneron Pharmaceuticals (1.3%). Collectively, the 10 deletions comprised 12.7% of index weight as of market close on December 20, 2024.

The largest additions included Broadcom (6.6% of index weight right after the reconstitution), Lilly Eli (4.4%) and Johnson and Johnson (3.2%). Collectively, the 10 additions comprised 24.3% of index weight as of market open on December 23, 2024.



For full-year 2024, the NLCSD Index was up 23.8% on a total return basis, slightly underperforming the S&P 500 Index which was up 25.0%. Despite its much smaller constituent count, NLCSD has exhibited less concentration than the S&P 500 in terms of performance drivers. NLCSD’s biggest return driver in 2024 – Palantir Technologies – contributed approximately one-sixth of the index’s performance; the S&P 500’s biggest driver – NVIDIA – contributed more than one-fifth.

ETFs currently tracking NLCSD include the GraniteShares Nasdaq Select Disruptors ETF (Nasdaq: DRUP).

Sources: Nasdaq Global Indexes, FactSet, Bloomberg.

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