# Nasdaq Novo Brazil™ Index (NQMB™): A Rules Based Benchmark for Modern Brazilian Equity Exposure

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## *Introduction*

The Brazilian equity market is undergoing a significant transformation, driven by rapid expansion in digital services, fintech innovation, and rising consumer demand. Legacy benchmarks such as the Ibovespa (IBOV) and Índice Brasil 100/iBrX 100 (IBX) are heavily weighted toward the financials, energy, and utilities sectors. As a result, these benchmarks provide only partial exposure to the segments of the economy that have become increasingly important drivers of growth.

The Nasdaq Novo Brazil™ Index (NQMB™) was launched on December 22, 2025, to address this structural limitation. The index applies a transparent, rules-based framework designed to identify companies with meaningful economic exposure to Brazil, regardless of domicile. The resulting portfolio offers a differentiated but familiar representation of Brazilian equities, combining established domestic firms with companies that are driving Brazil's economic transformation.

## *Macroeconomic Shifts: Brazil's Digital and Consumer-Led Growth*

Brazil has emerged as Latin America's premier hub for digital innovation and financial technology, propelled by the rapid adoption of digital banking, e-commerce, and technology-driven services. Brazil has one of the world's most dynamic fintech ecosystems, with estimates ranging from more than 1,500 to over 2,500 active fintech startups. Digital payments and credit dominate the landscape, making Brazil the largest fintech market in Latin America[1].

Mobile commerce and online retail channels continue to expand at double-digit rates, and Brazilian consumers increasingly rely on digital platforms for banking, payments, and consumption. These developments underscore the need for a benchmark that reflects both the enduring strengths of Brazil's economy and the new engines of growth reshaping it.

## *Limitations of Traditional Benchmarks*

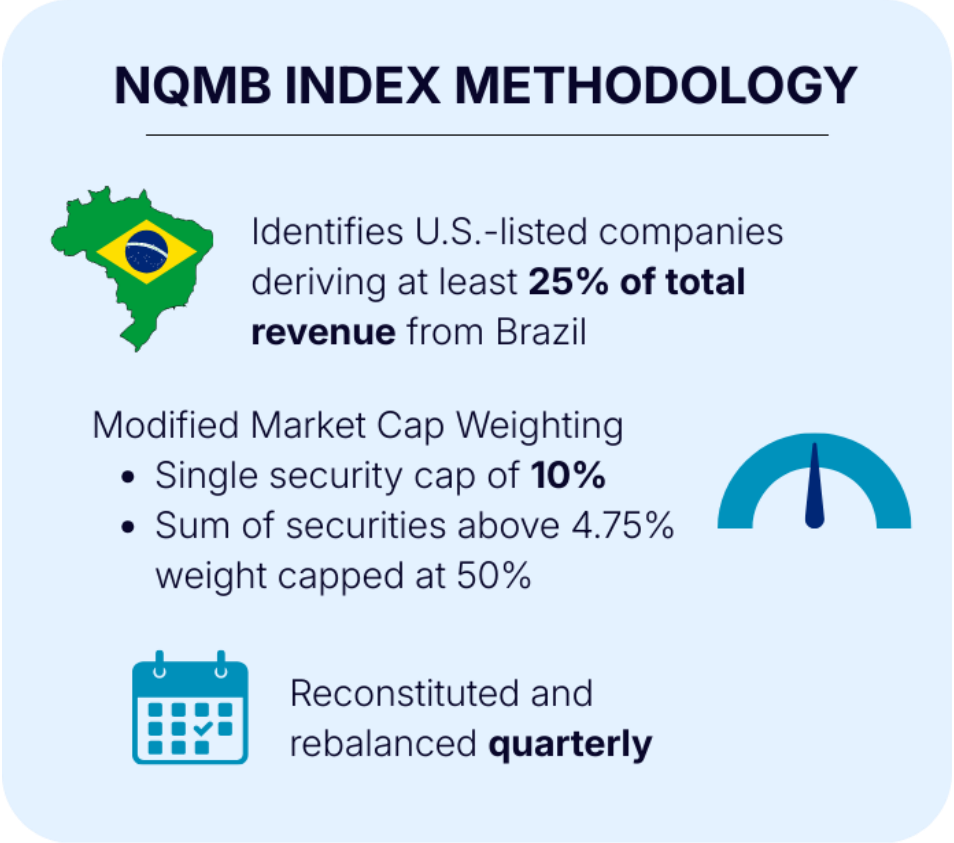
Brazil's primary equity indexes, IBOV and IBX, are constructed based on liquidity and market capitalization among companies listed on B3, the country's main exchange. While this approach provides a pure domestic benchmark, it inherently excludes many Brazil-focused companies that are listed outside the local market.

When mapped to the FTSE Russell ICB framework, index weights are heavily concentrated in a small number of industries and sectors—particularly Financials, Energy, Basic Materials, and Utilities—with large exposures to banking, oil and gas, and mining. Financials represent the largest industry-level exposure, while commodity-oriented and state-influenced sectors dominate overall index composition.

This concentration amplifies sensitivity to commodity cycles and policy risk, while leaving structurally important growth areas, such as technology-enabled platforms, e-commerce, and consumer services, meaningfully underrepresented.

### *NQMB Methodology: Rules-Based Approach and Selection Criteria*

NQMB utilizes a transparent, rules-based methodology designed to identify companies with meaningful economic exposure to Brazil, regardless of domicile. Eligibility is determined by requiring each constituent to be a U.S.-listed company that derives at least 25% of total revenue from Brazil, with Brazil representing the single largest country revenue source. As a result, companies do not need to be domiciled in Brazil to be eligible for inclusion. This approach ensures high U.S. standards for governance, liquidity, and disclosure, while capturing a broad representation of companies with material economic ties to Brazil.

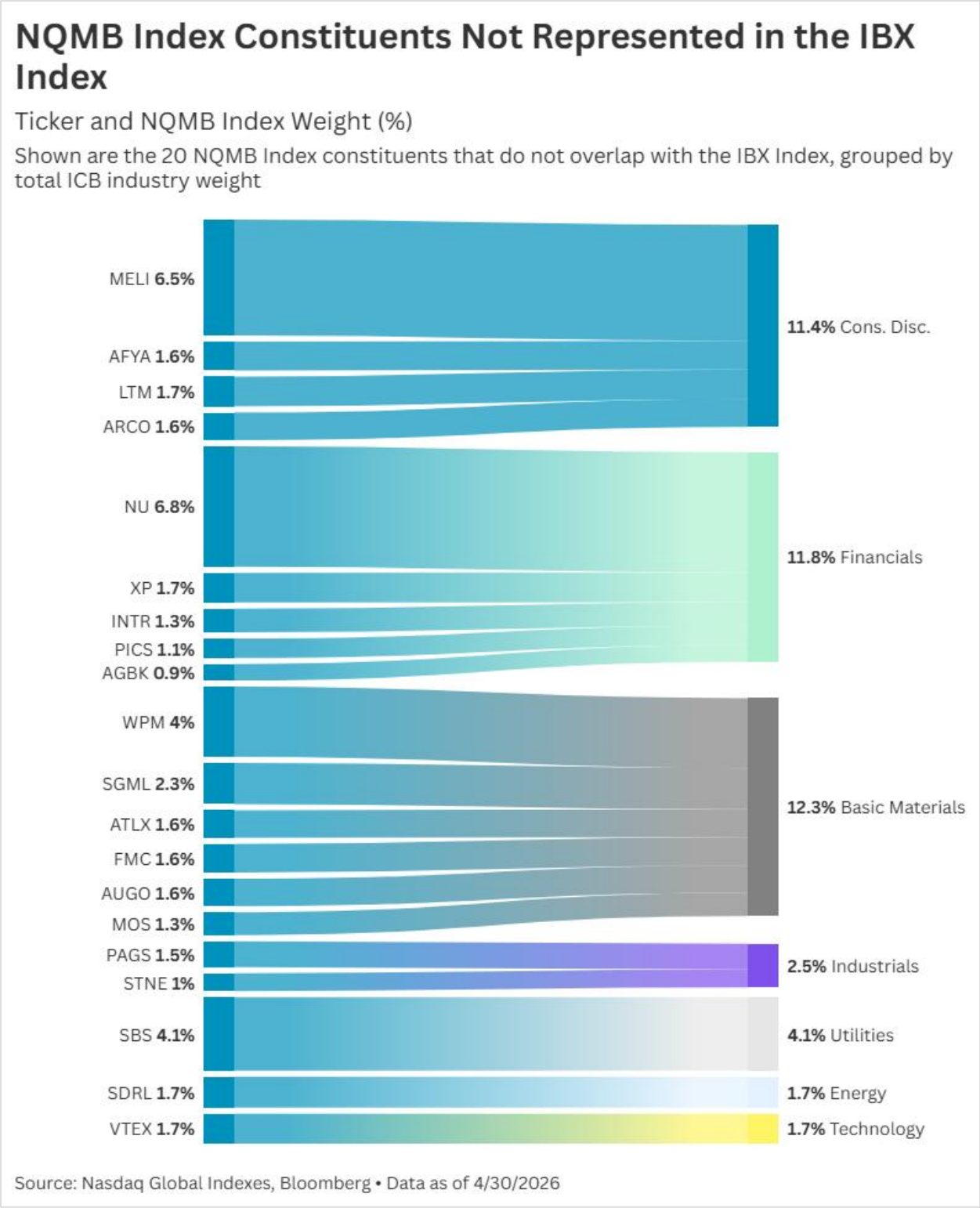



The index employs a modified market-capitalization weighting scheme with a single-security cap of 10%. In addition, the aggregate weight of securities exceeding 4.75% may not exceed 50% of the total index. The index is reconstituted and rebalanced quarterly.




### *Unique Constituents and Expanded Universe Exposure*

A defining feature of NQMB is its inclusion of a substantial set of companies that are not represented in traditional Brazilian equity benchmarks. Today, NQMB includes 37 constituents across seven countries, reflecting a balance between established domestic incumbents and companies tied to Brazil's evolving growth drivers. Of the 37 constituents, 17 overlap with IBOV and IBX, accounting for roughly 50% of NQMB's total weight. These overlapping names are primarily concentrated in Financials and Utilities/Energy, reflecting continued exposure to core Brazilian incumbents and regulated, capital-intensive businesses. The remaining 20 constituents are unique to NQMB either because they are not listed on B3 or because they fall outside domestic index construction constraints.




One group of unique constituents consists of Brazil-based companies that are absent from local benchmarks despite substantial domestic operations. These firms are concentrated in areas such as digital banking, payments, education services, and niche resource segments. Their inclusion increases exposure

to technology-enabled and consumer-oriented growth areas that are underrepresented in traditional indexes.

### *Brazil-based constituents absent from IBOV/IBX (11):*

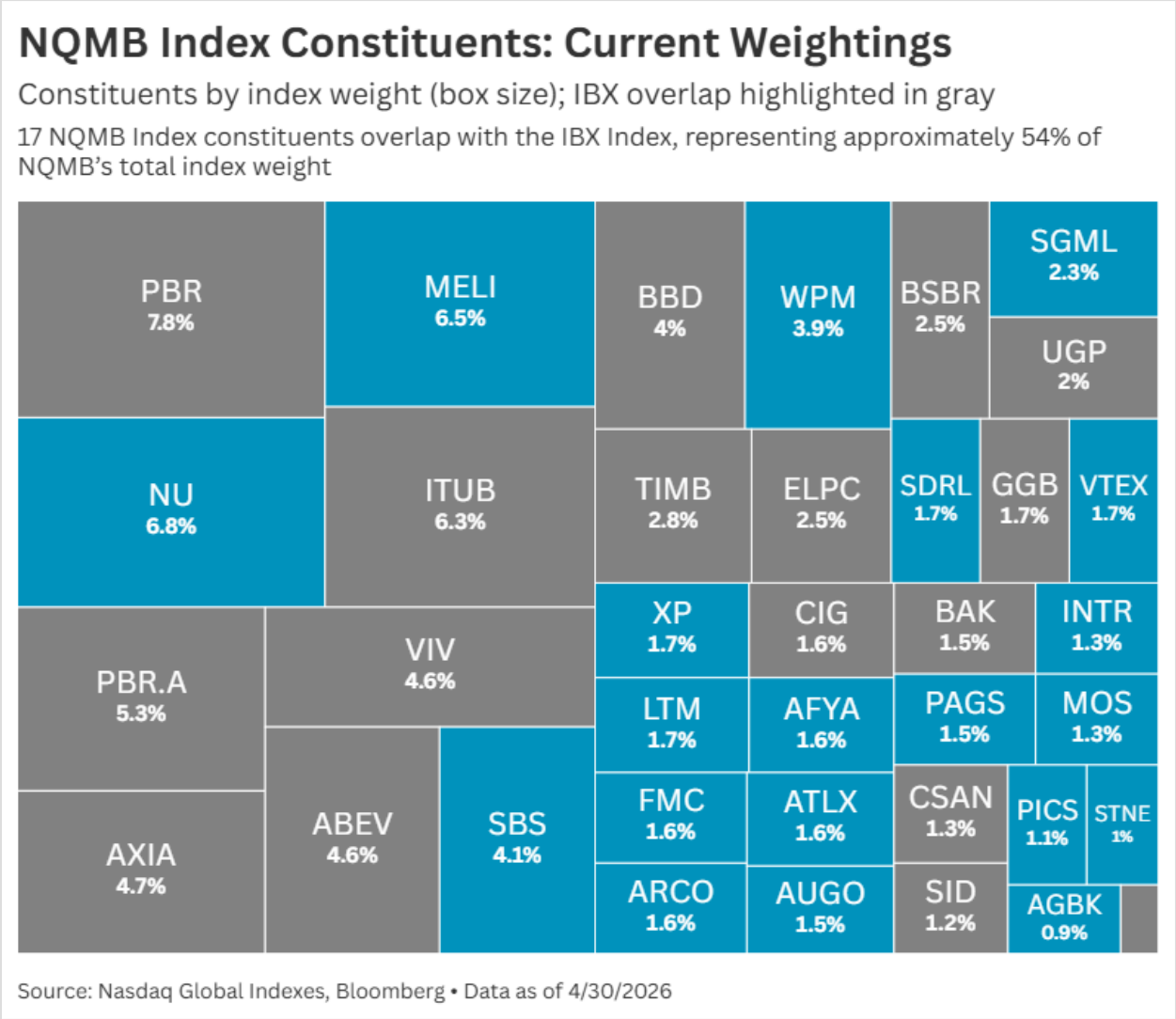
1. Afya
2. AGI
3. Atlas Lithium
4. Inter
5. Nu Holdings
6. PagSeguro Digital
7. PicS N.V.
8. Sabesp
9. Sigma Lithium
10. StoneCo
11. XP

A second group includes companies domiciled outside Brazil for which Brazil represents a core revenue market. These firms span multiple geographies but share a common characteristic: their earnings and growth are closely tied to the Brazilian economy. Although not typically classified as Brazilian equities under local definitions, their economic exposure makes them relevant components of a Brazil-focused benchmark.

### *Non-Brazil-domiciled constituents with core Brazil exposure (9):*

1. Arcos Dorados Holdings
2. Aura Minerals
3. FMC
4. LATAM Airlines Group
5. Mercado Libre
6. Mosaic
7. Seadrill
8. VTEX
9. Wheaton Precious Metals

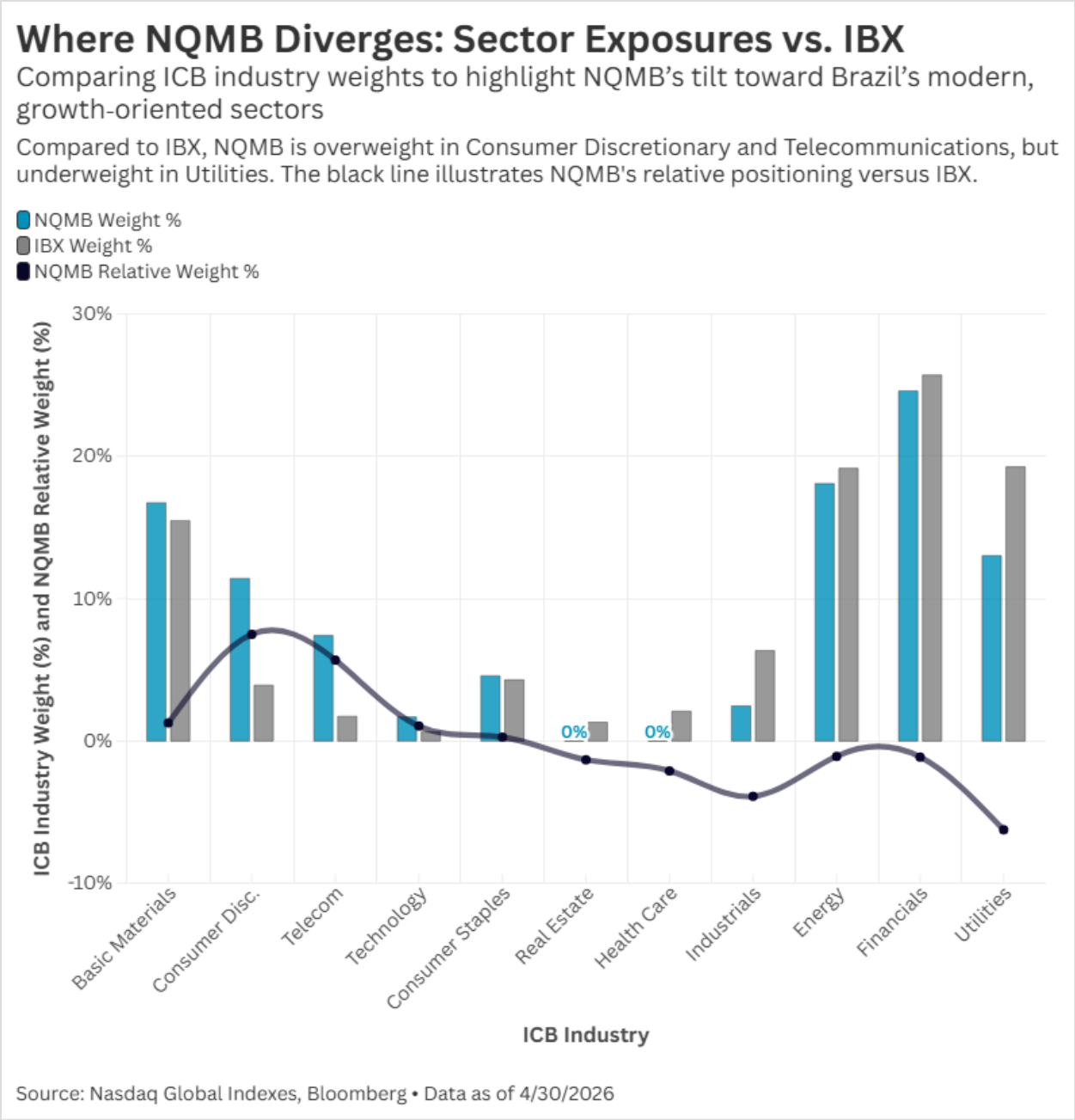
Together, these unique constituents materially alter NQMB's sector mix and geographic footprint, reducing concentration in traditional, regulated sectors such as utilities and energy while increasing exposure to a more diversified set of companies operating in consumer services, digital platforms, telecommunications, and globally integrated resource supply chains.




By combining significant overlap with traditional benchmarks and a substantial allocation to unique constituents, NQMB offers a differentiated lens on Brazil that remains anchored in the domestic market while better aligning with contemporary economic trends and global investment themes.

### *ICB Industry Profile*

When viewed through the ICB framework, NQMB's industry and sector composition differs meaningfully from that of IBOV and IBX. Relative to domestic benchmarks, NQMB carries higher weightings in Consumer Discretionary and Telecommunications. Consumer Discretionary exposure is primarily driven by technology-enabled platforms, including e-commerce, digital payments, and education services, with additional exposure to traditional travel and leisure businesses.

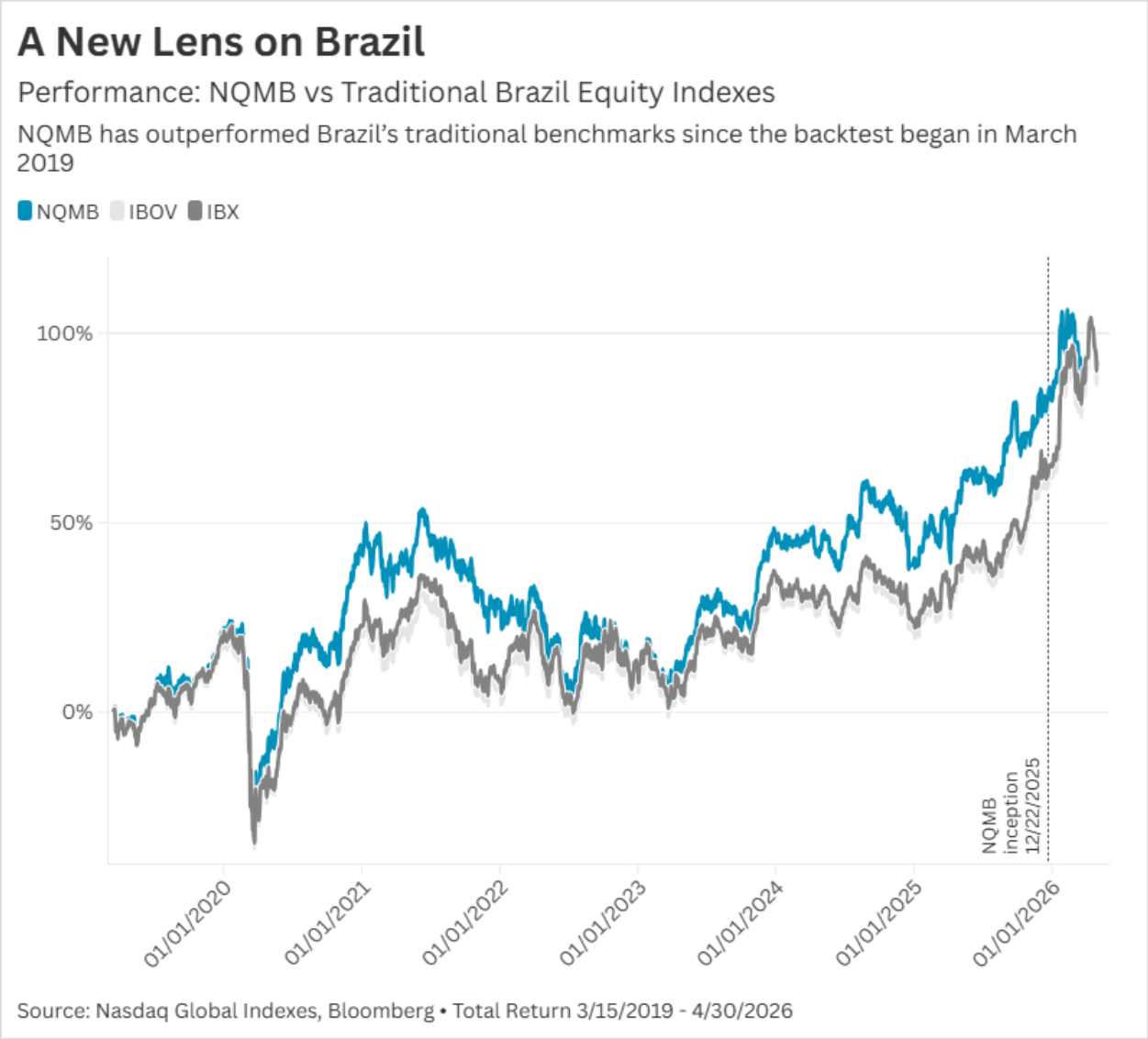


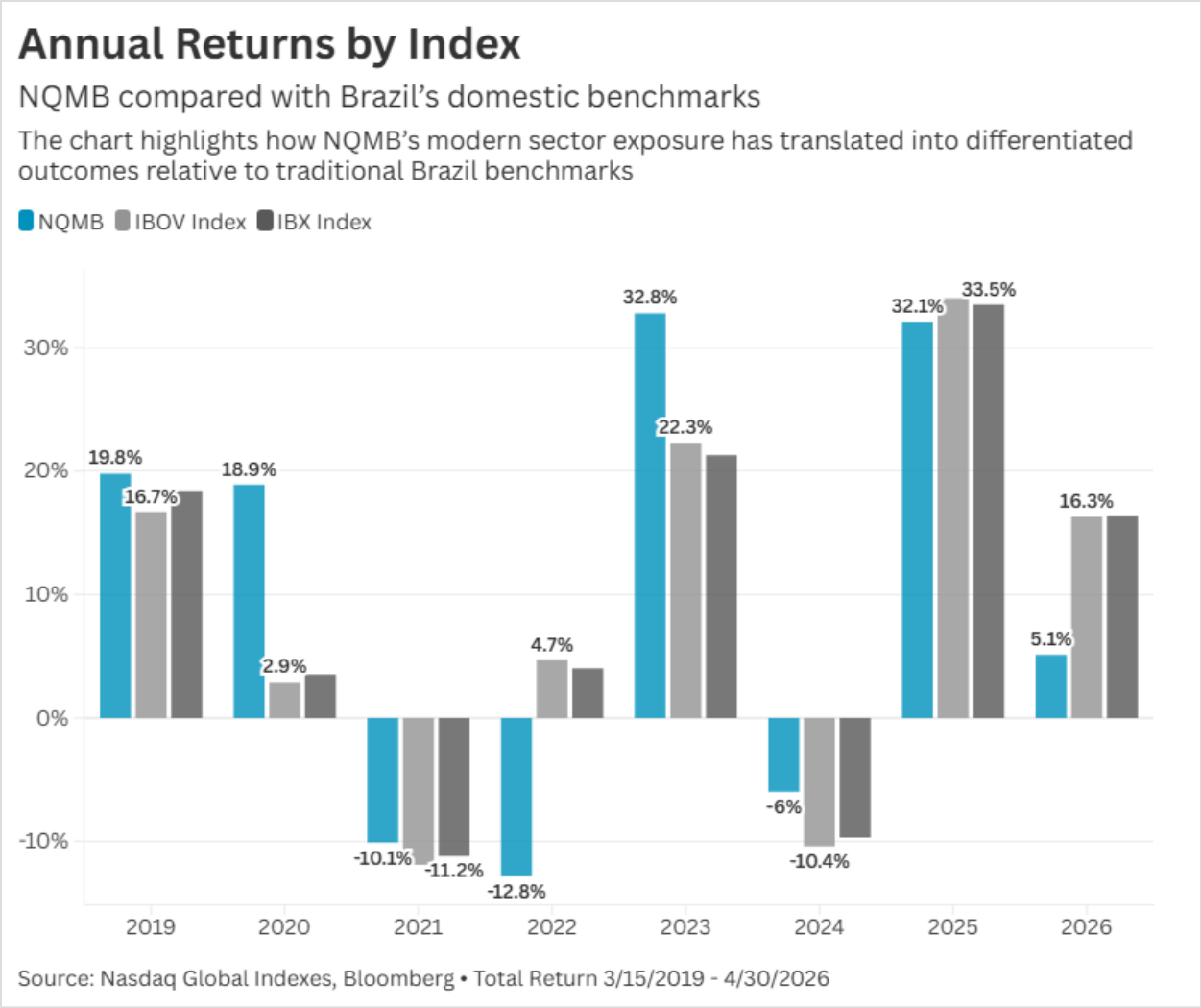

Within NQMB, Basic Materials exposure includes a mix of traditional extractive industries (gold mining, iron and steel) alongside energy transition inputs (lithium), fertilizers, and specialty chemicals. At the same time, the index carries lower weights in Financials, Utilities, and Energy, reflecting reduced reliance on incumbent banks and regulated, capital-intensive industries. Exposure to Industrials is also lighter, while Health Care and Real Estate are currently absent.

### *Performance and Risk Characteristics*

Across the backtest period from March 2019 through April 30, 2026, NQMB, measured in BRL, delivered stronger absolute and risk-adjusted returns than its domestic peers, rising 93.5% compared with 88.9% for

the Ibovespa and 92.5% for the IBrX. A correlation of approximately 0.95 with the domestic benchmarks highlights its differentiated exposure in a market where IBOV and IBX are otherwise perfectly correlated. When measured in USD, NQMB gained 48.6% over the same period, outperforming IBOV and IBX, which returned 44.9% and 47.7%, respectively.






This differentiated return pattern persisted across varied market environments. During the COVID-related market crash in early 2020, NQMB experienced a smaller drawdown than IBOV and IBX, reflecting the resilience embedded in its construction and sector mix. As conditions normalized, the index participated fully in subsequent recoveries, including the rebound in the second half of 2020 and the market recovery following Brazil's 2022 election cycle.

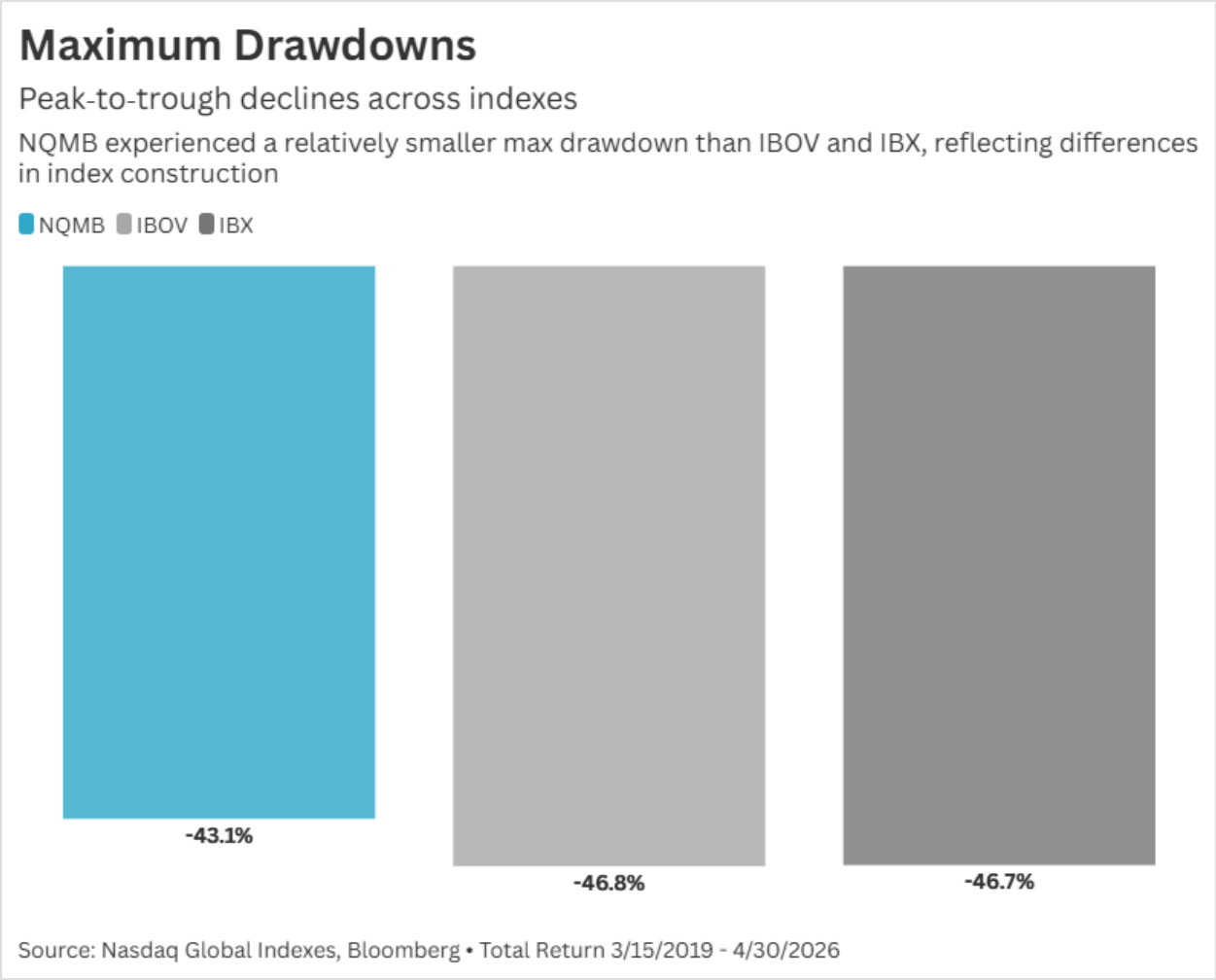
## Higher Returns, Comparable Volatility

Rolling 90-Day Volatility Profile: NQMB vs. IBOV & IBX

NQMB has historically offered higher returns with volatility that remains broadly in line with Brazil's major benchmarks.




Source: Nasdaq Global Indexes, Bloomberg • Total Return 3/15/2019 - 4/30/2026




Over the full timeframe, NQMB's maximum drawdown of −43.1% compares favorably with drawdowns of −46.8% and −46.7% for IBOV and IBX, respectively. Volatility patterns echo this result. Using daily prices, NQMB's annualized volatility of 26.8% is about 3% higher than that of the Ibovespa and IBrX and rolling analyses show broadly similar behavior during periods of market stress. When viewed alongside higher cumulative returns and smaller peak-to-trough declines, NQMB's overall risk-return profile remains competitive with—and at times superior to—traditional Brazilian benchmarks.

## *Conclusion*

NQMB was designed to complement traditional Brazilian equity benchmarks by expanding the definition of investable Brazil exposure. By focusing on economic relevance rather than listing venue, the index captures a broader and more contemporary representation of Brazil's equity opportunity set. The result is a benchmark that remains anchored in Brazil's established market structure while reflecting the evolving sources of growth shaping the economy today.

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