



INDEX METHODOLOGY

# THE INTERNATIONAL DEVELOPED CAPITAL STRENGTH INDEX

## NQCAPSTDMXUS

### INDEX DESCRIPTION

The International Developed Capital Strength Index is designed to measure the performance of well-capitalized companies in the developed markets outside of the US with strong market positions that have the potential to provide their stockholders with a greater degree of stability and performance over time. The companies are screened for strong balance sheets, a high degree of liquidity, the ability to generate earnings growth, and a record of financial strength and profit growth. The Index is comprised of 50 securities selected objectively based on cash and short term investments, long term debt to market cap ratio, return on capital, and volatility.

### SECURITY ELIGIBILITY CRITERIA

#### Parent index

A security must be included in Nasdaq Developed ex-US Index (NQDMXUS).

#### Eligible security types

Security types eligible for the index generally include common stocks and REITs.

#### Multiple classes of securities

One security per issuer is permitted. If an issuer has multiple securities, the security with the highest three-month average daily dollar traded volume (ADDTV) is generally considered for inclusion into the Index.

#### Liquidity eligibility

A security must have a three-month average daily traded value of at least 5 million United States Dollars (USD).

## **Other eligibility criteria**

A security must have at least \$500 million USD in cash or short term investments, after removing restricted cash.

A security must have a long term debt to market cap ratio less than 30%.

A security must have positive shareholder equity.

A security must have a return on equity greater than 15%.

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.

## **INDEX CALENDAR**

### **Reconstitution schedule**

The Index Reconstitution is conducted semi-annually in April and October.

### **Reconstitution reference dates**

The Security Eligibility Criteria are applied using market data as of the end of March and September.

### **Reconstitution announcement dates**

Index Reconstitutions are generally announced in early April and October.

### **Reconstitution effective dates**

Index Reconstitutions become effective at market open on the trading day after the third Friday in April and October.

### **Rebalance schedule**

The Index is rebalanced semi-annually in April and October.

### **Rebalance reference dates**

The Index Rebalance uses the Last Sale Price (“LSP”) of all Index Securities at the close of trading on the third Friday in April and October.

### **Rebalance announcement dates**

Index Rebalance changes are announced in early April and October.

## Rebalance effective dates

Index Rebalance changes become effective at market open on the trading day after the third Friday in April and October.

## CONSTITUENT SELECTION

### Constituent selection process

Securities that meet the applicable Security Eligibility Criteria are considered for inclusion in the Index based on the following ordered criteria.

- The 500 eligible securities with the highest free float market capitalization are selected as the “selection universe.”
  - In the event that the selection universe contains fewer than 50 securities, the 15% return on equity criterion is removed, and the securities with the highest return on equity are added to the selection universe until it contains 60 securities.
- Securities in the selection universe receive two ranks, with ranks of 1 representing the lowest values:
  - By three-month annualized realized volatility, and
  - By twelve-month realized volatility.
- The two ranks are summed to obtain a single combined rank.
- The 50 securities with the lowest combined ranks are selected.
  - In the case of ties in combined ranks, the security with highest free float market capitalization is selected.
- A review is then enacted to ensure that no Country nor Industry as determined by the Industry Classification Benchmark (ICB), a product of FTSE International Limited that is used under license, is represented by more than 15 securities. If a Country or ICB Industry is represented by more than 15 securities, the Country or Industry’s highest-ranked component is removed from the selection of 50 securities and is replaced with the next-ranked eligible security not from that Country or Industry.

## CONSTITUENT WEIGHTING

### Constituent weighting scheme

The Index is an equal-weighted index.

### Constituent weighting process

The Index employs an equal weighting scheme: all Index Securities have equal Index market value.

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

## INDEX MAINTENANCE

### Deletion policy

If, at any time during the year other than the Index Reconstitution(s), an Index Security that no longer meets the Eligibility Criteria, or is otherwise determined to have become ineligible for inclusion in the Index, it is removed from the Index. This includes circumstances where an Index Security is determined to be ineligible for continued inclusion in the Index due to bankruptcy, delisting, or a definitive agreement that would likely result in the security no longer being Index eligible. Please refer to Nasdaq's **Corporate Actions and Events Manual – Equities** for detailed handling of the aforementioned event types.

### Replacement policy

Index securities deleted at any time during the year other than the Index Reconstitution(s) are not replaced.

### 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**.

### 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 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, 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**.

## **Index calculation and dissemination schedule**

The Index is calculated five (5) days a week, Monday through Friday, starting with the earliest time zone (Asia/Tokyo) and closing with the latest time zone (America/New York), 12:30:01 Japan Standard Time to 17:16:00 Eastern Time.

## **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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