



INDEX METHODOLOGY

THE DIVIDEND STRENGTH INDEX™

NQDIVST

INDEX DESCRIPTION

The Dividend Strength Index is designed to track the performance of companies with strong market positions and high dividend yields. The companies are screened for having strong balance sheets, a high degree of liquidity and a record of high dividend yields.

SECURITY ELIGIBILITY CRITERIA

Security universe

A security must be included in the Nasdaq US Benchmark Index (NQUSB) as of the Index Reconstitution Reference Date. Please refer to NQUSB's methodology for further information.

Eligible security types

Security types eligible generally include common stocks and REITs.

Multiple classes of securities

One security per issuer is permitted. If an issuer has multiple security classes listed, the security with the highest average daily traded value over the last three months that meets all other Security Eligibility Criteria is eligible. However, if a security is in the Index as of the Reconstitution Reference Date and meets all other Security Eligibility Criteria, it may remain in the Index even when another security issued by the same issuer has a higher average daily traded value.

Market capitalization eligibility

A security must have free float market capitalization of at least \$5 billion (USD) and rank in the top 1500 by free float market capitalization among the securities in the Security universe that meet the Security Eligibility Criteria for Eligible security types, Multiple classes of securities and Liquidity eligibility.

Liquidity eligibility

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

Other eligibility criteria

A security's issuer must have a long-term debt to market cap ratio less than 40%.

A security's issuer must have positive shareholder equity.

A security's issuer must have return on equity greater than 10%.

A security's issuer must have a five-year compounded dividend growth rate greater than 5%.

A security's issuer must have a payout ratio less than 50%.

If 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 filing bankruptcy or similar protection from creditors, delisting or arrangement including mergers or acquisitions.

INDEX CALENDAR

Reconstitution schedule

The Index is reconstituted quarterly in January, April, July and October, according to Constituent Selection described below.

Reconstitution reference dates

Unless otherwise specified, Index Reconstitutions are conducted using data as of the prior month-end (December, March, June and September).

Reconstitution announcement dates

Index Reconstitutions are generally announced in early January, April, July and October.

Reconstitution effective dates

Index Reconstitutions become effective at market open on the trading day following the third Friday in January, April, July and October.

Rebalance schedule

The Index is rebalanced quarterly in January, April, July and October, according to Constituent Weighting described below. Rebalance reference dates

The Index Rebalance uses the Last Sale Prices as of the trading day prior to the Index Rebalance Effective Date.

Rebalance announcement dates

Index Rebalance changes are generally announced in early January, April, July and October.

Rebalance effective dates

Index Rebalance changes become effective at market open on the trading day following the third Friday in January, April, July and October.

CONSTITUENT SELECTION

Constituent selection process

All securities that meet the applicable Security Eligibility Criteria are considered for inclusion in the Index according to the following steps:

- Securities are ranked based on their dividend yield with a rank of 1 representing the highest value within each Industry, as determined by the Industry Classification Benchmark (ICB), a product of FTSE International Limited that is used under license.
- The top 15 securities per Industry are combined and ranked based on dividend yield with a rank of 1 representing the highest value.
- The 50 securities with the lowest rank (highest dividend yields) are selected.
 - In the case of ties in dividend yield ranks, the security with highest free float market capitalization is selected.

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 capitalization.

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), Nasdaq becomes aware that an Index Security has become ineligible for continued inclusion, it is removed from the Index as soon as practicable. This includes events such as bankruptcy or similar protection from creditors, delisting or

other arrangement including mergers and acquisitions. Refer to the **Corporate Actions and Events Manual – Equities** for further information.

Replacement policy

Index Securities are not replaced between Index Reconstitutions.

Corporate actions

Information on corporate actions and events can be found in the **Corporate Actions and Events Manual – Equities**.

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.nasdaq.com>.

For more information on the general Index Announcement procedures, refer to the **Nasdaq Index Methodology Guide**.

Holiday schedules

The Index is calculated Monday through Friday, except on days when The Nasdaq Stock Market is closed.

Unexpected market closures

For information on Unexpected Market Closures, 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), refer to the **Calculation Manual – Equities and Commodities**.

Recalculation and restatement policy

For information on the Recalculation and Restatement Policy, refer to the **Nasdaq Index Recalculation Policy**.

Data sources

For information on data sources, refer to the **Nasdaq Index Methodology Guide**.

Contact information

For any questions regarding an Index, 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.nasdaq.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, refer to the **Nasdaq Index Methodology Guide**.

Index calculation and dissemination schedule

The Index is calculated during the trading day and is disseminated once per second from 09:00:01 to 17:16:00 ET. The closing value of the indexes may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

Website

For further information, refer to Nasdaq GIW website at <https://indexes.nasdaq.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 are managed by the governance committee structure and have transparent governance, oversight, and accountability procedures for the index determination process. For further

details on the Index Methodology and Governance overlay, refer to the **Nasdaq Index Methodology Guide**.

Nasdaq Index Management Committee

The Nasdaq Index Management Committee is responsible for the overall oversight of activities related to the development, issuance, and operation of Nasdaq Indexes. The Committee reviews and approves all new Index Methodologies as well as updates to existing methodologies. For a detailed overview of the Index Management Committee, refer to the **Nasdaq Index Methodology Guide**.

Nasdaq U.S. Oversight Committee

The U.S. Oversight Committee is responsible for the oversight of the overall Benchmark determination process and is responsible for the overall governance of the U.S.-based Index business including review and approval of the control framework, certain policies and procedures, certain methodologies and methodology changes and other Index management oversight.

For a detailed overview of the U.S. Oversight Committee, refer to the **Nasdaq Index Methodology Guide**.

Internal reviews of methodology

All new methodologies or updates to existing methodologies must be reviewed by the Index Management Committee. Additionally, all in-scope Index methodologies are subject to an annual review by the Index Management Committee and U.S. Oversight Committee. For a detailed description on internal reviews of the Methodology, refer to the **Nasdaq Index Methodology Guide**.

Communication with stakeholders and consultations

In certain circumstances, Nasdaq will seek feedback from clients and market participants via consultations. For a detailed description on Consultations and Communications with Stakeholders, refer to 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, 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, Refer to the **Nasdaq Index Methodology Guide**.

GLOSSARY OF TERMS AS USED IN THIS DOCUMENT

For the glossary of key terms, 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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