

Nasdaq North America Air Transportation Index Methodology

Index Description

The Nasdaq North America Air Transportation Index is designed to provide exposure to companies in the United States (U.S.) or Canada that are in the industry of transportation via aircraft. The index consists of companies that are classified in the ICB subsectors of Aerospace, Delivery Services and Airlines. Securities are then selected and a modified market capitalization methodology is applied.

Index Calculation

The Nasdaq North America Air Transportation Index is a modified market capitalization-weighted index. The value of the Index equals the aggregate value of the Index share weights, also known as the Index Shares, of each of the Index Securities multiplied by each such security's Last Sale Price¹, and divided by the divisor of the Index. The divisor serves the purpose of scaling such aggregate index value to a lower order of magnitude which is more desirable for reporting purposes. If trading in an Index Security is halted on its primary listing market, the most recent Last Sale Price for that security is used for all index computations until trading on such market resumes. Likewise, the most recent Last Sale Price is used if trading in a security is halted on its primary listing market before the market is open. The Index began on February 13, 2017, with a base value of 1000.00.

The formula for index value is as follows:

Aggregate Adjusted Market Value/Divisor

The formula for the divisor is as follows:

(Market Value after Adjustments/Market Value before Adjustments) X Divisor before Adjustments

Two versions of the Index are calculated:

- The price return Index (Nasdaq: NQNAAT) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return Index (Nasdaq: NQNAATT) reinvests cash dividends on the ex-date.

All Indexes reflect extraordinary cash distributions.

The Indexes are calculated during the trading day and are disseminated once per second from 09:30:01 to 17:16:00 ET. The closing value of the Index may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

¹For purposes of this document, Last Sale Price refers to the last regular way trade reported on such security's Index Market. The Index Market is the listing market for which prices are received and used by Nasdaq in the Index calculation and generally will represent the most liquid trading market of the Index Security. If a security does not trade on its Index Market on a given day or the Index Market has not opened for trading, the most recent last sale price from the Index Market (adjusted for corporate actions, if any) is used. For securities where Nasdaq is the Index Market, the Last Sale Price may be the Nasdaq Official Closing Price (NOCP) when Nasdaq is closed.

Eligibility

Index eligibility is limited to specific security types only. The security types eligible for the Index include common stocks, ordinary shares, units and stapled securities. Security types not eligible for the index include closed-end funds, exchange-traded funds (ETF), limited partnership interests, preferred stock, rights, shares of limited liabilities companies, warrants and other derivative securities.

Eligibility Criteria

To be included in the Index, a security must meet the following criteria:

- be allocated to the Aerospace, Delivery Services or Airlines Subsectors according to the Industry Classification Benchmark (ICB). ICB is a product of FTSE International Limited that is used under license.
- be included in the Nasdaq North America Index (NQNA);
- one security per issuer is permitted²;
- may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being Index eligible; and
- may not be issued by an issuer currently in bankruptcy proceedings.

Index Evaluation

The Index is evaluated on a quarterly basis in March, June, September and December using market data as of the end of February, May, August and November, respectively. Security additions and deletions are made effective after the close of the third Friday in March, June, September and December.

Additionally, if at any time during the year other than the Evaluation, an Index Security no longer meets the Eligibility Criteria, or is otherwise determined to have become ineligible for inclusion in the Index, the security is removed from the Index and is not replaced. In all cases, a security is removed from the Index at its Last Sale Price. If, however, at the time of its removal the Index Security is halted from trading on its primary listing market and an official closing price cannot readily be determined, the Index Security may, in Nasdaq's discretion, be removed at a zero price. The zero price will be applied to the Index Security after the close of the market but prior to the time the official closing value of the Index is disseminated, which is ordinarily 17:16:00 ET.

Index Maintenance

Index Share changes are not made during the quarter however changes arising from stock dividends and stock splits are made to the Index on the evening prior to the effective date of such corporate action. In the case of certain spin-offs or rights issuances, the price of the Index Security is adjusted; there is no adjustment to Index Shares.

A special cash dividend announced by the listing exchange, will result in an adjustment to the Last Sale Price of an Index Security prior to market open on the ex-date for the special amount distributed. A special dividend may also be referred to as extra, extraordinary, non-recurring, one-time, unusual, etc.

² If an issuer has multiple securities, the security with the highest dollar trading volume will be selected for possible inclusion into the Index.

Ordinarily, whenever there is a change in an Index Security as noted above, the divisor is adjusted to ensure that there is no discontinuity in the value of the Index which might otherwise be caused by any such change. All changes are announced in advance and are reflected in the Index prior to market open on the Index effective date.

Index Rebalancing

The Index employs a modified market capitalization weighting methodology. At each quarter, the Airlines ICB sub-sector is set to be 40% weight of the Index and the securities in the two remaining ICB sub-sectors (Aerospace & Delivery Services) total the remaining 60% weight of the index. Individual security weighting is rebalanced such that maximum weight of any Index Security does not exceed 8% and no more than 5 securities are at that cap. The excess weight of any capped security is distributed proportionally across the remaining Index Securities.

If after redistribution, any of the subsequent 5 highest ranked Index Securities are weighted below 8%, these securities are not capped. Next, any remaining Index Securities in excess of 4.5% are capped at 4.5% and the excess weight is redistributed proportionally across the remaining Index Securities.

The process is repeated, if necessary, to derive the final weights. The modified market capitalization weighting methodology is applied to the capitalization of each Index Security, using the Last Sale Price of the security at the close of trading on the last trading day in February, May, August and November and after applying quarterly changes to the total shares outstanding. Index Shares are then calculated multiplying the weight of the security derived above by the new market value of the Index and dividing the modified market capitalization for each Index Security by its corresponding Last Sale Price. The changes are effective after trading on the third Friday in March, June, September and December.

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity.

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