



INDEX METHODOLOGY

## PHLX SEMICONDUCTOR SECTOR INDEX™

### SOX

#### INDEX DESCRIPTION

The PHLX Semiconductor Sector Index is designed to measure the performance of the 30 largest US-listed semiconductor companies.

#### SECURITY ELIGIBILITY CRITERIA

##### Eligible security types

Security types generally eligible for the Index include common stocks, ordinary shares, American Depositary Receipts (ADRs), shares of beneficial interest and limited partnership interests.

If the security is a depositary receipt representing a security of a non-U.S. issuer, the total shares outstanding is the actual depositary shares outstanding as reported by the depositary banks.

##### Multiple classes of securities

One security per issuer is permitted. If an issuer has multiple securities, the security with the largest market capitalization will be considered for possible inclusion into the Index.

##### Eligible exchanges

A security must be listed on the Nasdaq Stock Market, the New York Stock Exchange, NYSE American, or the CBOE Exchange.

##### Industry or sector eligibility

The security must be classified under the Semiconductors Subsector or Production Technology Equipment Subsector according to the Industry Classification Benchmark (ICB), a product of FTSE International Limited that is licensed for this use.

## **Market capitalization eligibility**

Each security must have a minimum market capitalization of \$100 million.

## **Liquidity eligibility**

Each security must have traded at least 1.5 million shares in each of the six calendar months up to and including the month containing the reference date.

## **Seasoning eligibility**

The security must have been traded for at least full three months, not including month of initial listing, on a recognized market.

## **Other eligibility criteria**

The security must have listed options on a registered options market in the U.S. or be eligible for listed options trading on a registered options market in the U.S.

The security may not be issued by an issuer currently in bankruptcy proceedings.

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**

Nasdaq selects constituents once annually in September.

## **Reconstitution reference dates**

The Security Eligibility Criteria are applied using market data as of the end of July.

## **Reconstitution announcement dates**

Index Reconstitutions are announced in early September.

## **Reconstitution effective dates**

Index Reconstitutions are effective at market open of the following trading day after the close of the trading on the third Friday in September.

## **Rebalance schedule**

The Index is rebalanced quarterly in March, June, September and December.

## **Rebalance reference dates**

The Index Rebalance uses the Total Shares Outstanding ("TSO") and Last Sale Price ("LSP") of all Index Securities as of the prior month-end (February, May, August, and November respectively).

## **Rebalance announcement dates**

Index Rebalance changes are announced in early March, June, September and December.

## **Rebalance effective dates**

Index Rebalance changes are effective at market open of the following trading day after the close of trading on the third Friday in March, June, September and December.

# **CONSTITUENT SELECTION**

## **Constituent selection process**

The Index selects the 30 largest eligible securities by market capitalization.

# **CONSTITUENT WEIGHTING**

## **Constituent weighting scheme**

The Index is a modified market capitalization-weighted index.

## **Constituent weighting process**

SOX employs a two-stage weight adjustment scheme.

Index Securities' initial weights are determined by dividing each Index Security's market capitalization by the aggregate market capitalization of all Index Securities.

### **Stage 1:**

Initial index weights are adjusted to meet the following Stage 1 constraint, producing the Stage 1 weights:

- No Index Security weight may exceed 8%.

## Stage 2:

Stage 1 weights are adjusted to meet the following Stage 2 constraints, producing the final weights:

- For Index Securities with the five largest market capitalizations, Stage 1 weights are maintained.
- For all other Index Securities, no weight may exceed 4%.

The final weights meet the following constraints:

- No Index Security weight may exceed 8% of the index; five may exceed 4%.

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

## INDEX MAINTENANCE

### Deletion policy

If, at any time other than an Index Reconstitution, Nasdaq determines that an Index Security has or will undergo a fundamental alteration that would make it ineligible for Index inclusion, the Index Security is removed as soon as practicable. Such alterations may include merger, acquisition, or other major corporate event that would otherwise adversely impact the integrity of the Index.

### Replacement policy

Securities may be added to the Index outside of the Index Reconstitution when there is a deletion. The issuer with the largest market capitalization which is not in the Index and meets all security eligibility criteria will replace the deleted security.

### Corporate actions

In the periods between scheduled index reconstitution and rebalancing 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 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 “Market Cap Corporate Action Method.”

### Index share adjustments

If the change in TSO arising from other corporate events, as defined in **Nasdaq Corporate Actions and Events Manual – Equities**, is greater than or equal to 10%, the change is made as soon as practicable. If the change in TSO is less than 10%, then all changes are accumulated and made effective at one time on a quarterly basis after the close of trading on the third Friday in each of March, June, September and December.

The Index Shares are adjusted by the same percentage amount by which the TSO has changed.

## 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 Indexes are calculated Monday through Friday, except on days when the Nasdaq US exchange is closed.

### 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 & 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 during the trading day and is disseminated once per second from 09:30:01 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, 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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