

# **NASDAQ Technology Dividend Index<sup>SM</sup> Methodology**

## **Index Description**

The NASDAQ Technology Dividend Index includes up to 100 Technology and Telecommunications companies that pay a regular or common dividend.

## **Index Calculation**

The NASDAQ Technology Dividend Index is a modified dividend value 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 security's Last Sale Price<sup>1</sup>, and divided by the divisor of the Index. The divisor serves the purpose of scaling such aggregate value to a lower order of magnitude which is more desirable for Index reporting purposes. The Index began on June 20, 2012 at a base value of 1000.

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 – a price return index and a total return.

- The price return index (NASDAQ: NQ96DIVUS) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index (NASDAQ: NQ96DIVUSX) reinvests cash dividends on the ex-date.

All Indexes reflect extraordinary cash distributions.

The Indexes are calculated and disseminated once per second from 09:30:01 to 17:16:00 Eastern Time (ET) in USD. 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.

## **Eligibility**

Index eligibility is limited to specific security types only. The security types eligible for the Index include common stocks, ordinary shares, and American depositary receipts (ADRs).

## **Eligibility Criteria**

To be eligible for inclusion in the Index, a security must meet the following criteria:

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<sup>1</sup> For 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 Index Market, the Last Sale Price may be the NASDAQ Official Closing Price (NOCP) when NASDAQ is closed.

- be listed on The NASDAQ Stock Market, The New York Stock Exchange or NYSE MKT LLC;
- be classified as a Technology or Telecommunications company under Industry Classification Benchmark (ICB)<sup>2</sup> codes 6000 and 9000;
- have a minimum three-month average daily dollar trading volume of \$1 million;
- have a minimum market capitalization of \$500 million;
- have paid a regular or common dividend within past 12 months;
- have a yield of at least 0.5%;
- have not had a decrease in common dividends per share paid within past 12 months;
- may not be issued by an issuer currently in bankruptcy proceedings;
- 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 have annual financial statements with an audit opinion that is currently withdrawn;

For the purposes of Index eligibility criteria, if the security is a depositary receipt representing a security of a non-U.S. issuer, then references to the “issuer” are references to the issuer of the underlying security.

### **Index Evaluation**

The Index Securities are evaluated semi-annually in March and September. The above Eligibility Criteria are applied using market data through the end of January and July. Securities which meet the above eligibility criteria are ranked by dividend value paid over the previous 12 months and up to the top 100 companies are included in the Index. Security additions and deletions are made effective after the close of trading on the third Friday in March and September.

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. Ordinarily, a security will be 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**

Changes in the price and/or Index Shares driven by corporate events such as stock dividends, stock splits and certain spin-offs and rights issuances are adjusted on the ex-date. If the change in total shares outstanding<sup>3</sup> arising from other corporate actions is greater than or equal to 10.0%, the change is made as soon as practicable. Otherwise, if

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<sup>2</sup> Industry Classification Benchmark (ICB) is a product of FTSE International Limited and has been licensed for use.

<sup>3</sup> If a security is a depositary receipt, the total shares outstanding is the actual depositary shares outstanding as reported by the depositary banks.

the change in total shares outstanding is less than 10%, then all such changes are accumulated through the end of February, May, August and November 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, respectively. The Index Shares are derived from the security's total shares outstanding. Intraquarter, the Index Shares are adjusted by the same percentage amount by which the total shares outstanding have changed.

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.

Ordinarily, whenever there is a change in Index Shares, a change in an Index Security or a change to the price of an Index Security due to spin-off, rights issuances or special cash dividends as mentioned 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 dividend value weighting methodology. At each Evaluation, the Index Securities are classified Technology or Telecom based on their ICB classification. The Technology securities are given a collective weight of 80% and the Telecom securities are given a collective weight of 20% in the Index.

Within the Technology Sector, the Index Securities are ranked by dividend value. At each quarter, the Index is rebalanced such that the maximum weight of any technology Index Security does not exceed 8% and no more than 5 securities are at the cap. The excess weight of any capped security is distributed proportionally across the remaining Index Securities in the technology sector. If after redistribution, any of the 5 highest ranked technology Index Securities are weighted below 8%, they are not capped. Next, any remaining technology Index Securities in excess of 4% are capped at 4% and the excess weight is redistributed proportionally across the remaining technology Index Securities. The process is repeated, if necessary, to derive the final weights for the technology sector.

Within the Telecom Sector, the Index Securities are ranked by dividend value. At each quarter, the Index is rebalanced such that the maximum weight of any telecom security does not exceed 2%. The excess weight of any capped security is distributed proportionally across the remaining Index Securities in the telecom sector. The process is repeated, if necessary, to derive the final weights for the telecom sector.

The modified dividend value weighting methodology is applied to the dividend value of each Index Security. The dividend value is calculated by multiplying dividends paid within the past 12 months by the current shares outstanding. Index Shares are then calculated by multiplying the weight of the security derived above by the new dividend market value of the Index and dividing the modified dividend value 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 OMX may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity.

August 2012