

The Capital Strength IndexSM Methodology

Index Description

The Capital Strength Index seeks to provide exposure to well-capitalized companies 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 so that the index constituents generally have 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 composed of 50 stocks selected objectively based on cash on hand, debt ratios and volatility. The index components are equally weighted at each quarterly rebalance.

Index Calculation

The Capital Strength Index is an equal 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 Price¹, 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 March 20, 2013 at a base value of 1000.

The formula for index value is as follows:

$$\text{Aggregate Adjusted Market Value/Divisor}$$

The formula for the divisor is as follows:

$$(\text{Market Value after Adjustments/Market Value before Adjustments}) \times \text{Divisor before Adjustments}$$

Two versions of the Index are calculated – a price return index and a total return.

- The Index (NASDAQ: NQCAPST) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index (NASDAQ: NQCAPSTR) 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.

¹ 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 OMX 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.

Eligibility

Index eligibility is limited to specific security types only. The security types eligible for the Index include common stocks and REITs.

Eligibility Criteria

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

- Be a member of the NASDAQ US Benchmark Index (NQUSB);
- have a minimum three-month average daily dollar trading volume of \$5 million;
- must be in the top 500 securities by float adjusted market capitalization after meeting the above criteria;
- have at least \$1 billion in cash or short term investments;
- have a market cap to long term debt ratio less than 30%;
- have a return on equity greater than 15%;
- may not be issued by an issuer currently in bankruptcy proceedings; and
- may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being Index eligible; and

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 is evaluated quarterly in January, April, July and October. The above Eligibility Criteria are applied using market data through the end of December, March, June and September. Securities meeting the criteria are included in the Index. Security additions and deletions are made effective after the close of trading on the third Friday of April, July, October and January.

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 continued 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

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 and a corresponding adjustment is made to the Index Shares such that the weight of the Index Security does not change as a result of the action.

A special cash dividend announced by the listing exchange, will result in an adjustment to the Last Sale Price for the special amount distributed and a corresponding adjustment to the Index Shares of an Index Security prior to market open on the ex-date such that the weight

of the Index Security will not change as a result of the action. A special dividend may also be referred to as extra, extraordinary, non-recurring, one-time, unusual, etc.

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 an equal weighted index methodology. At each quarter, the eligible securities are ranked by a combined short term (90 day) and long term (260) realized volatility. The 50 eligible securities with the lowest combined volatility score are selected and equally weighted.

After the 50 securities are selected, a review is enacted to determine if any ICB Industry has a cumulative weight greater than 30%. If an Industry has a weight greater than 30%, the highest ranking security by volatility will be removed and replaced with the next eligible security (e.g. the 51st ranked by volatility) from a different Industry. This process is repeated until no Industry has a weight greater than 30%.

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

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