



INDEX METHODOLOGY

NASDAQ ISE CYBER SECURITY SELECT INDEX™

HXRXL

INDEX DESCRIPTION

The Nasdaq ISE Cyber Security Select Index is designed to track companies actively involved in providing cyber security technology and services, in accordance with the ISE Cyber Security® Industry classification.

SECURITY ELIGIBILITY CRITERIA

Security Universe

The Index at all times consists of a selection of issuers in the Nasdaq ISE Cyber Security Index (HXR), the Parent Index. Please refer to that methodology for further information about their constituent selection and eligibility.

Market capitalization eligibility

Each security must have a minimum market capitalization of \$1 billion (USD) as of the reference dates.

Float

At least 20% of a security's total shares outstanding must be available to public shareholders (free float).

Liquidity eligibility

Each security must have a minimum three-month average daily dollar trading volume (ADDTV) of \$1 million through the period three months leading up to the reference date.

Other eligibility

A security must pass on either of the following cyber security revenue screens:

- at least 90% of their revenues from cyber security, as determined by the ISE Cyber Security Selection Committee, or

- a Revenue Contribution Score of at least 1.25% from the starting universe Index.
 - The Revenue Contribution Score is the product of a company's market capitalization and the percentage of a company's revenue derived from cyber security or cyber security-related activities divided by the aggregate index cyber security-revenue adjusted market capitalization. The Revenue Contribution Score is derived from the Parent Index prior to applying any additional eligibility screens.

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

The Index is reconstituted quarterly in March, June, September, and December by applying the Constituent Selection Process to all securities that meet the applicable Security Eligibility Criteria.

Reconstitution reference dates

The Security Eligibility Criteria are applied using available market data as of the end of January, April, July, and October, respectively.

Reconstitution announcement dates

Changes are announced approximately five (5) business days prior to the effective date of quarterly changes.

Reconstitution effective dates

Index Reconstitutions become effective at market open on the trading day after the third Friday in March, June, September, and December, respectively.

Rebalance schedule

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

Rebalance reference dates

The Index Rebalance uses market data 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, respectively.

Rebalance effective dates

Index Rebalance changes become effective at market open on the trading day after the third Friday in March, June, September, and December, respectively.

CONSTITUENT SELECTION

Constituent selection process

All securities that meet the applicable Security Eligibility Criteria are included in the Index.

CONSTITUENT WEIGHTING

Constituent weighting scheme

The Index is a modified free float market capitalization-weighted index.

Constituent weighting process

Weight Calculation

Each Index Security's initial weight is determined by dividing its Free Float Market Value by the aggregate Free Float Market Value of all Index Securities.

Initial weights are then adjusted to determine final weights.

Weight Adjustment

Initial Index weights are adjusted to reduce excessive concentration. The weight adjustment is described below:

- Step 1: Raise each Index Security's initial index weight to the power, P , where P is a value between 0 and 1 (*Adjusted Initial Weight*). Please see **Weight Constraints** below.
- Step 2: Divide the *Adjusted Initial Weight* from Step 1 by the aggregate *Adjusted Initial Weight* of all Index Securities.

Final weights are those determined from Step 2 above.

Weight Constraints

The exact power, P , is determined through an iterative process where weights are re-evaluated by reducing P in increments of 0.0001. The power, P , is incrementally reduced until the following weighting constraints have been met:

- No single security may exceed 15%
- Aggregate weights of securities greater than 4.75% does not exceed 45%.

For additional information about index weighting, see **Nasdaq Standard Index Weight Adjustment Guidelines**.

INDEX MAINTENANCE

Deletion policy

If, at any time other than an Index Evaluation, 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.

Replacement policy

Index Securities are not replaced in the Index outside of the Index Reconstitution.

Addition policy

Index Securities are not added to the Index outside of the Index Reconstitution.

Corporate actions

In the interim 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 “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.nasdaqomx.com>.

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

Holiday schedules

The Index is calculated Monday through Friday and does not close for holidays, as it is a Global Index.

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.

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

All Indexes are calculated during the trading day and are disseminated once per second. The Indexes are calculated five (5) days a week, Monday through Friday, starting by the earliest time zone Asia/Tokyo and close by the latest time zone America/New York.

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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