Nasdaq U.S. Rising Dividend Achievers™ Index

An All-Weather Diversified Exposure Designed to Maintain Dividend Growth

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Index Research Highlights

- The Nasdaq U.S. Rising Dividend Achievers™ Index (NQDVRIS™) assembles a portfolio of stocks that are positioned to continue increasing dividends. The Index methodology guides this process by including several dividend and balance sheet criteria.
- The Index's dividend criteria are more dynamic than many traditional dividend indexes, which often include a minimum of ten years (and in some cases 20-25 years) of dividend history. This allows the Index to include dividend-paying stocks faster than other indexes when such companies may be in the early stages of ramping up their dividend policies.
- The Index accounts for sector bias prevalent in traditional dividend strategies, where industries such as Utilities, Energy and Consumer Staples are heavily weighted due to their high yields. This traditional weighting forgoes the opportunity of holding companies in sectors that have recently increased dividends, such as Financial, Industrial, Consumer Discretionary and Technology.
- The Index selects large cap companies with strong cash balances, low debt and increasing earnings to ensure quality of the components and to improve the probability of constituent companies increasing their dividends in the future.
- The Index is better able to adapt to a rising rate environment and has historically outperformed traditional dividend indexes during periods of higher interest rates.

Background

Dividend-yield investing has remained very popular as investors continue to look for income. Investors should, however, be wary of focusing on current yield alone and instead should consider names that are best positioned to continue a path of raising dividends. Traditional indexes have focused on a company's historical track-record of dividend payments, but a more prudent approach involves analyzing the financial health of the company and its ability to maintain dividend increases. The Nasdaq U.S. Rising Dividend Achievers Index is designed to do just that: include securities that are best positioned to continue dividend increases in the future.

Index Methodology

The Nasdaq U.S. Rising Dividend Achievers Index is designed to include securities that are positioned to continue dividend increases. To be eligible for inclusion, a security needs to have paid higher dividends in the past year than the previous three and five years prior. In addition, the Index methodology assesses the financial health of the securities through several lenses. A security must possess three strong balance sheet characteristics to be considered for inclusion:

1. Positive earnings in the most recent year and greater than three years prior.
2. Have a cash-to-debt ratio greater than 50%.
3. Have a payout ratio of less than or equal to 65%.

Among all the securities that pass these tests, the Index then narrows in on the top 50 securities by considering the following:

- dollar dividend increase over the previous five-year period,
- dividend yield and
- payout ratio

The 50 securities are equally weighted with a cap of 15 securities from the same ICB industry to help mitigate sector concentration. This process is repeated each quarter with additional companies being added to the index while existing companies can see their weight increase. The Index also filters out companies that suspend or decrease its dividend payments.

For the index construction process, see https://indexes.nasdaqomx.com/docs/Methodology_NQDVRIS.pdf.

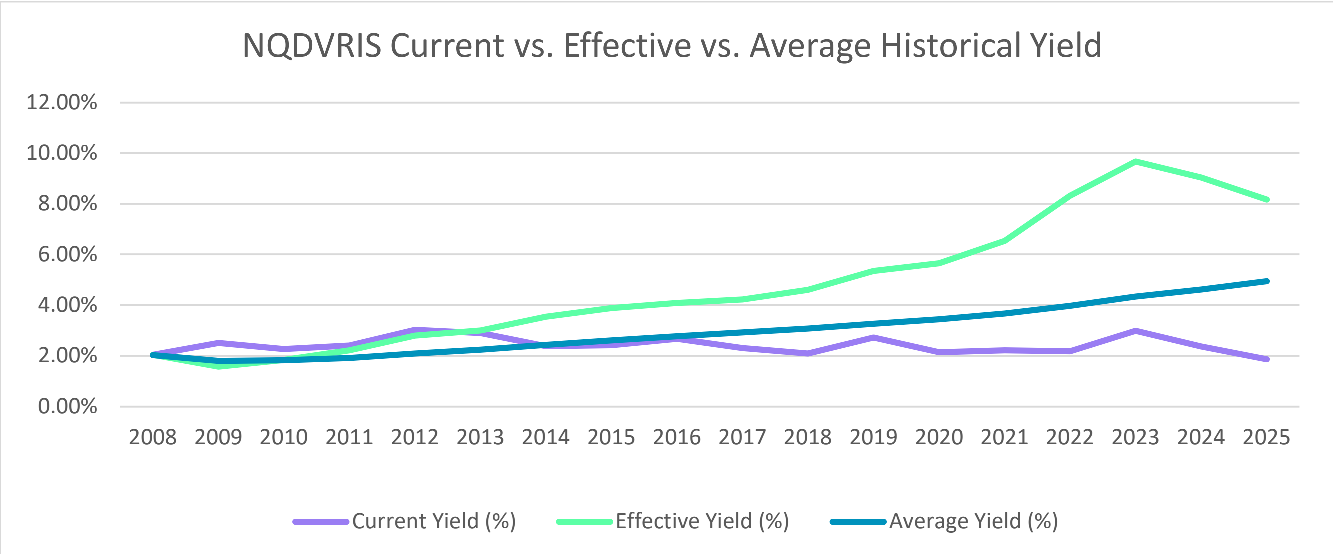
For a discussion on the changes to the process implemented in March 2025, see https://indexes.nasdaqomx.com/docs/Rising%20Dividend%20Achievers%20Methodology%20Change%20Research_2025-03.pdf.

The Dollar Value of Dividend Growth

To illustrate the benefits of investing for dividend growth, consider this hypothetical situation: buy a fund linked to the Rising Dividend Achievers Index and never sell. After 10 years or longer, the effective yield on the initial investment (also known as the "book yield") will be significant due to the compounding effect of dividend growth over time. To show this as a concrete example, suppose we invested one million dollars in this fund at the end of 2007. Below, we calculated the dollar dividend value for each year from 2008 to June 30, 2025. The Current Yield is the current dividend value divided by the investment value at the end of the prior year, while the Effective Yield is the current dividend value from the current year divided by the *initial* investment. The Effective Yield is what means the most to an investor as that is truly the yield that they are experiencing any year based upon the dollars that they invested. The Cumulative Yield is the total of *all* dividends received since December 31, 2007 divided by the initial value. The Average Yield takes the Cumulative Yield and divides by the number of years since the initial investment.

Year	Index Level	Investment Value ($)	Dividend Value ($)	Current Yield (%)	Effective Yield (%)	Cumulative Yield (%)	Average Yield (%)
2007	738	1,000,000	--	--	--	--	--
2008	464	628,187	20,341	2.03%	2.03%	2.03%	2.03%
2009	601	813,945	15,767	2.51%	1.58%	3.61%	1.80%
2010	679	919,878	18,389	2.26%	1.84%	5.45%	1.82%
2011	682	923,429	22,077	2.40%	2.21%	7.66%	1.91%
2012	766	1,037,807	28,004	3.03%	2.80%	10.46%	2.09%
2013	1,099	1,488,446	30,006	2.89%	3.00%	13.46%	2.24%
2014	1,187	1,607,648	35,398	2.38%	3.54%	17.00%	2.43%
2015	1,130	1,530,572	38,813	2.41%	3.88%	20.88%	2.61%
2016	1,350	1,829,179	40,891	2.67%	4.09%	24.97%	2.77%
2017	1,629	2,207,632	42,203	2.31%	4.22%	29.19%	2.92%
2018	1,448	1,961,259	46,085	2.09%	4.61%	33.80%	3.07%
2019	1,958	2,652,196	53,451	2.73%	5.35%	39.14%	3.26%
2020	2,178	2,951,446	56,542	2.13%	5.65%	44.80%	3.45%
2021	2,820	3,821,170	65,340	2.21%	6.53%	51.33%	3.67%
2022	2,396	3,246,077	83,158	2.18%	8.32%	59.65%	3.98%
2023	2,821	3,821,602	96,825	2.98%	9.68%	69.33%	4.33%
2024	3,229	4,374,820	90,388	2.37%	9.04%	78.37%	4.61%
2025	3,431	4,648,727	81,725	1.87%	8.17%	86.54%	4.95%

*Through June 30, 2025



As of June 30, 2025, the investment value would have multiplied over four times the initial investment. This strong performance holds despite the hypothetical poor timing of investing right before the 2008 financial crisis. Additionally, the Effective Yield would be 8.17%, and the investor would be on track to receive $81,725 from dividend payments in 2025 (annualized through June 30). Over the full period, the investor would have received $865,444 in dividends for a Cumulative Yield of 86.54% on the initial investment or 4.91% Average Yield per year. This analysis reflects the unique value of the Rising Dividend Achievers Index methodology, which includes companies that have consistently increased dividend payments to investors. In the following sections, we will compare the Nasdaq Rising Dividend Achievers Index to other high-yield index products.

Index Composition and Metrics

The portfolio has some specific points worth highlighting:

- Dividend yield ranges from 0.03% to 5.7% with an average of 1.7%.
- The average payout ratio is 24.2%.
- Market capitalization ranges from $5.9B to $3,885B with an average of $288.8B.
- Dividends per share over the last 12 months ranged from $.04 to $36.70 with an average of $3.46.
- The average cash on hand for the index companies is $14.5B and the average total debt is $25.1B.

The Index considers a broad range of dividend-paying stocks. As a result, both those that have long-term dividend track records as well as those that have shorter-term dividend track records can be included. Competing dividend indexes often apply minimum dividend requirements that are far longer than horizons inherent in the Rising Dividend Achievers methodology, making them less sensitive to dividend policy improvements and greatly reducing the number of companies – and their improving dividends – from consideration. The Nasdaq U.S. Rising Dividend Achievers Index is a dynamic dividend index that looks beyond just yield and focuses on the health of the underlying companies. When stacked against four competing dividend indexes, the Nasdaq U.S. Rising Dividend Achievers Index exhibits some very compelling characteristics.

	Nasdaq U.S. Rising Dividend Achievers Index (NQDVRIS)*	Dow Jones Select Dividend Index (DJDVY)*	Morningstar Dividend Yield Focus Index (MDYFT)*	S&P High Yield Dividend Aristocrats Index (SPHYDATR)*	S&P 500 Dividend Aristocrats Index (SPDAUDT)*
Average 1-year Dividend Growth	17.9%	5.0%	7.0%	8.4%	5.5%
Average Market Cap ($ Billions)	288.8	47.9	82.1	85.9	96.6
Median 3-year EPS Growth (%)	36.3%	-7.5%	-0.7%	13.9%	12.1%
Net Income 3 Yr Growth (%)	36.9%	-17.1%	0.4%	9.9%	8.2%
Average Payout Ratio	24.2%	40.8%	80.2%	47.8%	64.3%

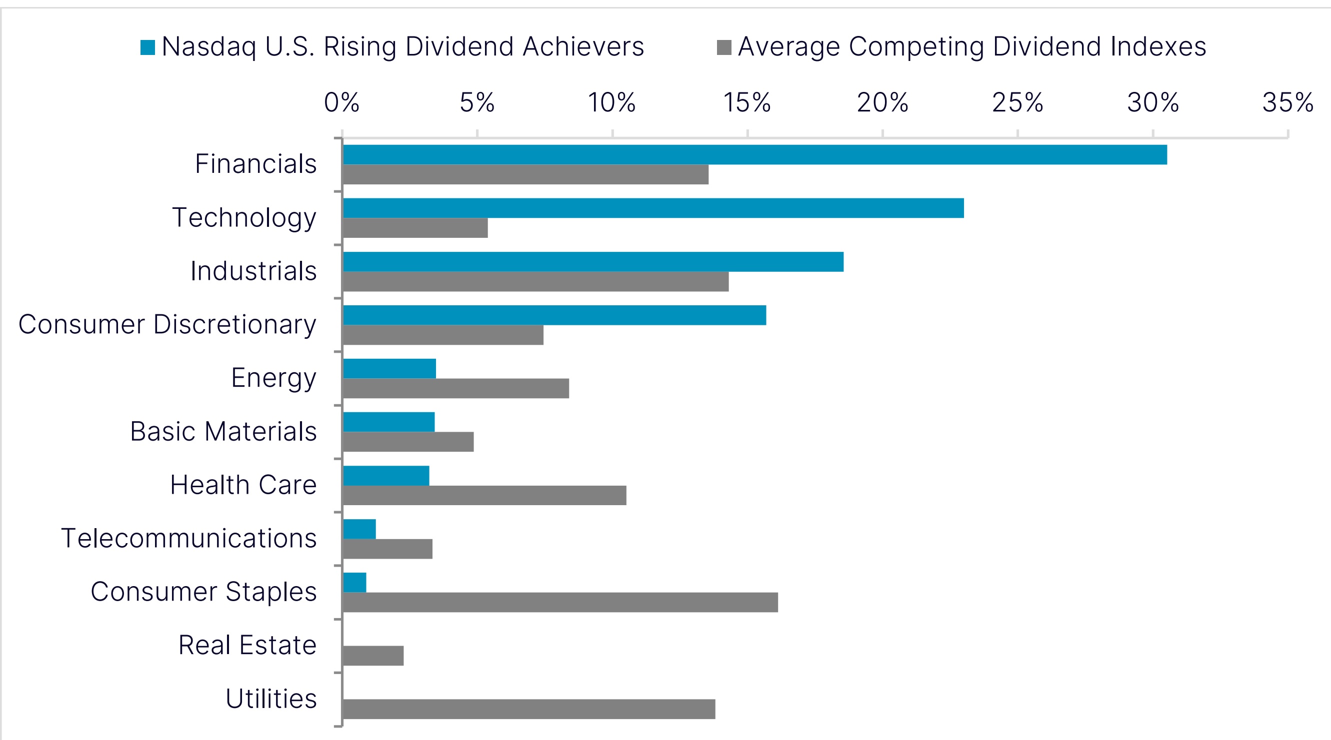
*based on the ETFs that track the index. See Appendix for ETF name and ticker.

Components in the Nasdaq U.S. Rising Dividend Achievers Index have exhibited strong earnings growth over the last three years. This growth has opened the door for significant dividend increases over the last year, more so than for the other competing indexes. One might have the predisposition to assume that such impressive growth can only be displayed by small-cap companies, but that is not the case. Rather, the average market capitalization of the Nasdaq U.S. Rising Dividend Achievers Index is larger than the other four indexes. With an average payout ratio of only 24.2%, this leaves substantial upside for the constituents to dynamically continue to raise their dividends in the future.

Sector Breakdown & Interest Rate Sensitivity

Traditional dividend indexes are prone to industry sector biases when the index construction is based on dividend yield alone while dividend growth is neglected. This results in large allocations to sectors with a history of attractive dividend payments like Utilities, Energy, and Consumer Staples, while underweighting sectors with high dividend growth over recent years like Financials, Technology, Industrials, and Consumer Discretionary. Historically, Utilities names tend to exhibit underperformance during a rising interest rate environment, while the Financials sector tends to outperform the benchmark. While high dividend yield strategies have been attractive during the near-zero interest rate environment of the past decade, holding this stellar performance has become more challenging as interest rates have increased with higher bond yields now competing with equity plays. Dividend growth strategies that also select financially healthy securities are an attractive alternative to consider in a period of elevated rates. The methodology results in an index that is not only diversified, but also positioned to weather a mixture of interest rate environments. A major industry aspect that differentiates the Nasdaq U.S. Rising Dividend Achievers Index from other dividend indexes is that the Index has a lower allocation to traditional high-yielding sectors such as Utilities, Telecommunications and Consumer Staples. More companies in the Financial, Consumer Discretionary, Industrial and Technology space have recently increased their dividend policies, which is why the Index is more tilted towards those industries.
Financials currently hold the largest sector weight in the Nasdaq U.S. Rising Dividend Achievers Index with a 30.53% allocation, followed by Industrials, Technology, and Consumer Discretionary. See below for the sector differences between the Nasdaq U.S. Rising Dividend Achievers Index, and the other aforementioned indexes as of June 30, 2025:

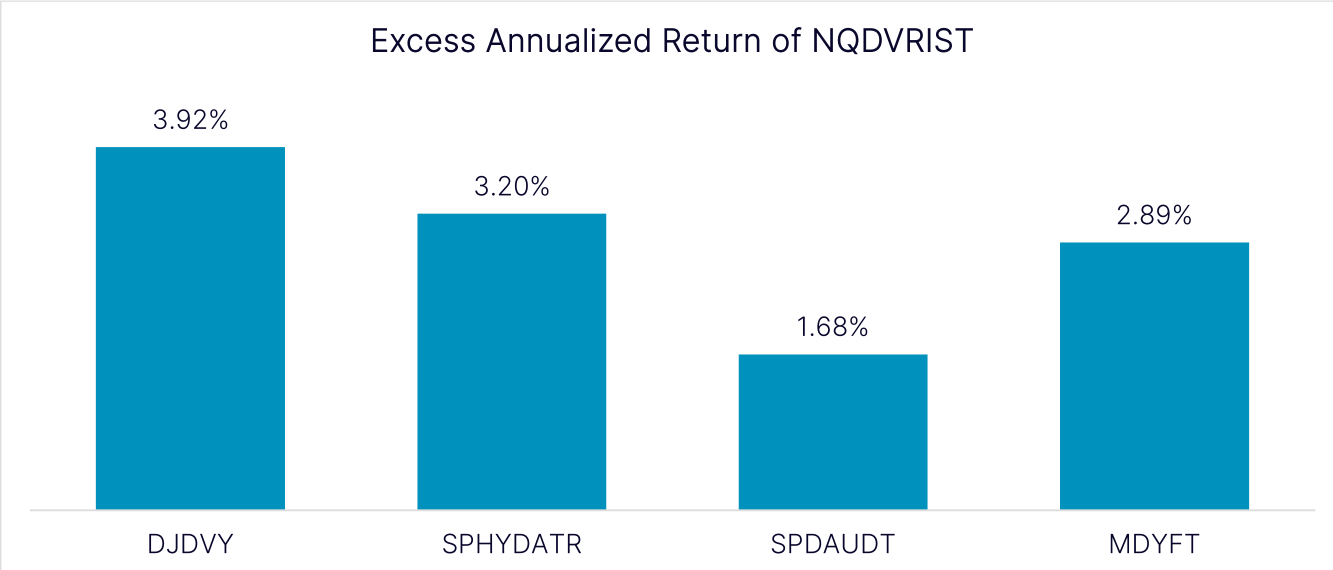
ICB Industry (%)	Nasdaq U.S. Rising Dividend Achievers Index (NQDVRIS)*	Dow Jones Select Dividend Index (DJDVY)*	Morningstar Dividend Yield Focus Index (MDYFT)*	S&P High Yield Dividend Aristocrats Index (SPHYDATR)*	S&P 500 Dividend Aristocrats Index (SPDAUDT)*
Financials	30.53%	25.46%	5.20%	10.35%	13.21%
Technology	23.01%	4.52%	5.85%	8.05%	3.11%
Industrials	18.55%	4.87%	3.09%	23.01%	26.23%
Consumer Discretionary	15.68%	9.63%	5.31%	7.76%	7.09%
Energy	3.47%	5.71%	21.83%	3.18%	2.86%
Basic Materials	3.42%	4.44%	0.79%	5.05%	9.18%
Health Care	3.21%	3.84%	21.90%	6.22%	10.08%
Telecommunications	1.24%	3.50%	7.44%	2.40%	0.00%
Consumer Staples	0.89%	12.71%	19.61%	13.75%	18.46%
Real Estate	0.00%	0.00%	0.00%	4.89%	4.21%
Utilities	0.00%	25.32%	8.98%	15.34%	5.56%



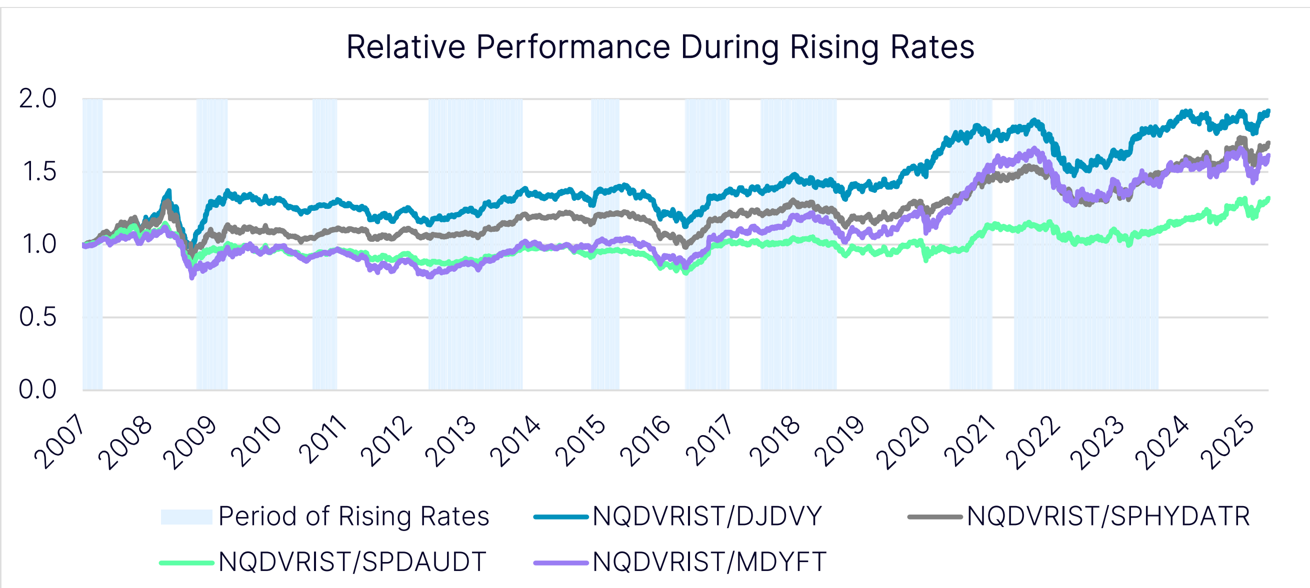
*based on the ETFs that track the index. See Appendix for ETF name and ticker.

Performance

Since the beginning of the back-test on March 16, 2007 to June 30, 2025, the Nasdaq U.S. Rising Dividend Achievers TR™ Index (NQDVRIST™) has outperformed other dividend indexes by a meaningful margin ranging from 1.68% per year to 3.92% per year. The strong distinction of the Nasdaq Index compared to other dividend indexes is a financial health screen applied to the underling constituents, which are much better positioned to continue raising dividends in the future.



A strong characteristic of the Nasdaq U.S. Rising Dividend Achievers Index is its ability to better adapt to periods of rising interest rates. The chart below highlights periods of higher interest rates along with relative performance of the Nasdaq U.S. Rising Dividend Achievers Index versus the aforementioned dividend indexes. Although the Nasdaq Index generally outperforms regardless of interest rate direction, it really sets itself ahead of the pack during periods of rising rates.



Valuation

Given the surge of the Nasdaq U.S. Rising Dividend Achievers Index, especially in recent periods, it may seem that the companies underlying the Index could be overvalued. Yet, the price to earnings ratio and the price to book ratio below reflect an attractive valuation when compared to the competing indexes as of June 30, 2025.

	NQDVRIS*	DJDVY*	MDYFT*	SPHYDATR*	SPDAUDT*
Price / Earnings	16.65	14.47	18.05	20.57	22.56
Price / Book	3.02	1.73	3.62	2.97	3.34

*based on the ETFs that track the index. See Appendix for ETF name and ticker.

Although future performance is not predictable, these valuation ratios are a good proxy for sustainable growth, leaving potential upside for the Nasdaq U.S. Rising Dividend Achievers Index to continue its rally.

Conclusion

The Nasdaq US Rising Dividend Achievers Index offers exposure to high-yield companies with strong financials that are increasing dividend payments to investors consistently and sustainably, providing an all-weather equity income strategy.

The Nasdaq U.S. Rising Dividend Achievers Index is part of the leading Nasdaq Dividend Achievers index family. Products tracking the index include the First Trust Nasdaq Rising Dividend Achievers ETF (Nasdaq: RDVY).

Sources: Nasdaq Global Indexes, Bloomberg, FactSet

Appendix

Index Name (Index ID)	ETF Name (ETF Ticker)
Nasdaq U.S. Rising Dividend Achievers Index (NQDVRIS)	First Trust Nasdaq Rising Dividend Achievers ETF (RDVY)
Dow Jones Select Dividend Index (DJDVY)	IShares Select Dividend ETF (DVY)
Morningstar Dividend Yield Focus Index (MDYFT)	IShares Core High Dividend ETF (HDV)
S&P High Yield Dividend Aristocrats Index (SPHYDATR)	SPDR S&P Dividend ETF (SDY)
S&P 500 Dividend Aristocrats Index (SPDAUDT)	Proshares S&P 500 Dividend Aristocrats ETF (NOBL)