

# Nasdaq Australia Completion Cap Index<sup>SM</sup> Methodology

## Index Description

The Nasdaq Australia Completion Cap Index<sup>SM</sup> is designed to provide exposure to small-mid cap companies in Australia.

## Index Calculation

The Nasdaq Australia Completion Cap Index is a float adjusted modified market cap 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 such 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 reporting purposes. The Index began on May 25, 2016 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:

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

Three versions of the Index are calculated in AUD:

- The price return index (Nasdaq: NQAUCC) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index (Nasdaq: NQAUCCT) reinvests cash dividends on the ex-date.
- The net total return index (Nasdaq: NQAUCCN) reinvests cash dividends on the ex-date based on an Index security's country of incorporation withholding rate.

All Indexes reflect extraordinary cash distributions.

The 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, during Australian hours.

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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.

## **Eligibility**

Index eligibility is limited to specific security types only. The security types eligible for the index include common stocks, ordinary shares, depositary receipts, shares of beneficial interest and REITs.

## **Eligibility Criteria**

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

- listed on the Australian Stock Exchange;
- have a float adjusted market capitalization rank between 21 and 200 of all eligible securities in the universe;
- one security per issuer is permitted<sup>2</sup>;
- 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 be issued by an issuer currently in bankruptcy proceedings.

## **Index Evaluation**

The Index is evaluated annually in March. The above Eligibility Criteria are applied using market data through the end of January. Securities are ranked in descending order based on their float adjusted market capitalization as of the last trading day in January. The securities ranked between 21 and 200 by float adjusted market capitalization are selected. 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 in March.

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**

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.

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 corresponding adjustment will be made to the Index Shares of the

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<sup>2</sup> If an issuer has multiple securities, the security with the highest dollar trading volume will be selected for possible inclusion into the Index.

security 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.

Ordinarily, whenever there is a change in an Index Security or a change to the price of an Index Security due to spin-offs, 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 float adjusted modified market capitalization weighted methodology.

Under the methodology,

1. no industry can have a weight of more than 25% in the Index; and
2. no single stock can have a weight of more than 6% in the Index.

At each quarter, the Index is rebalanced such that the maximum weight of any industry does not exceed 25% of the Index. The excess weight of any capped industry is distributed proportionally across the securities in the remaining industries. If after redistribution, another industry's weight is greater than 25%, the process is repeated until no industry's weight is greater than 25%. Simultaneously, the securities are reviewed to ensure that no single security is greater than 6%. If a security is greater than 6%, it is capped at 6% and the excess weight is distributed proportionally across the remaining Index Securities.

The modified weighting methodology is applied to the float-capitalization of each Index Security, using the Last Sale Price of the security at the close of trading on the last trading day in February, May, August and November. Index Shares are then calculated multiplying the weight of the security derived above by the new market value of the Index and dividing the float adjusted modified market capitalization for each Index Security by its corresponding Last Sale Price. The changes are effective after the close of trading on the third Friday in March, June, September and December.

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

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