

# ISE High Income Index™ Methodology

## YLDA

### Index Description

The ISE High Income Index is designed to measure the returns and income of the top 45 U.S.-listed Closed-End Funds.

### Index Calculation

The ISE High Income Index (YLDA) is a modified linear-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 Index reporting purposes. If trading in an Index Security is halted on its primary listing market, the most recent Last Sale Price for that security is used for all index computations until trading on such market resumes. Likewise, the most recent Last Sale Price is used if trading in a security is halted on its primary listing market before the market is open. The Index began on December 31, 2003, with a base value of 100.00.

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

Three versions of the Index are calculated:

- The price return index (Nasdaq: YLDA) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return Index (Nasdaq: YLDATR) reinvests cash dividends on the ex-date.
- The net total return index (Nasdaq: YLDANTR) reinvests cash dividends on the ex-date and adjusts for an Index Security's country of incorporation withholding rate. The net total return index began on February 6, 2017 at a base value of 150.

The Indexes are calculated and disseminated once per second from 9:30:01 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 Criteria

To be eligible for inclusion in the Index, a security must meet the following criteria as of the reconstitution reference date:

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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 the Index Market, the Last Sale Price may be the Nasdaq Official Closing Price (NOCP) when Nasdaq is closed.

- A security must be a closed-end fund and not an operating company, exchange-traded fund (ETF), holding company, commodity pool, or Real Estate Investment Trust (REIT).
- A security must be listed on The Nasdaq Stock Market® (Nasdaq®), the New York Stock Exchange, NYSE American, or the CBOE Exchange.
- A security must have a market capitalization of at least \$500 million (USD).
- A security must have a six-month average daily traded value of at least \$1 million (USD).

## Stock Selection

Securities that meet the applicable Security Eligibility Criteria are selected for inclusion in the Index using the following process:

1. Rank each fund by the following criteria:
  - a. Fund yield (descending)
  - b. Fund share price Premium / Discount to Net Asset Value (ascending)
  - c. Fund Average Daily Traded Value (descending)
2. Calculate a Combined Rank Score (CRS) for each fund using the following calculation:

$$CRS_i = \frac{2R_i^{Yld} + R_i^{PD} + R_i^{Liq}}{4}$$

where:

$CRS_i$  = Combined Rank Score of each fund

$R_i^{Yld}$  = Rank of Fund Yield

$R_i^{PD}$  = Rank of Fund Premium / Discount

$R_i^{Liq}$  = Rank of Fund Average Daily Traded Value

3. Assign each fund an Overall Rank based on its CRS, whereby the fund with the lowest CRS receives an Overall Rank of 1.

In case of a tie, the fund with the lower Rank of Fund Yield will have a lower Overall Rank.

4. Select the funds with Overall Ranks 1 through 45.
  - a. Note that while the Index seeks to have 45 components, that number should be considered a maximum limit and not a fixed target.

## Constituent weighting scheme

The Index is a modified linear-weighted index.

## Constituent weighting process

Initial Index Weights are determined via the following equation:

$$W_i = \frac{n + 1 - OR_i}{\sum_{i=1}^n OR_i}$$

where:

$W_i$  = Initial Index Weight of each fund

$OR_i$  = Overall Rank of each fund

$n$  = number of funds in the Index

Initial index weights are then adjusted to meet the following constraints:

- No Index Security weight may exceed 3%.
- No Index Security weight may exceed 100% of the ratio between the Index Security's six-month average daily traded value and \$10 million.

Index weight adjustment is conducted such that all Index Securities with uncapped final weights share a common difference between their respective final weights and initial weights.

For additional information about index weighting, see **Nasdaq Index Weight Calculations Guide**.

### **Index Share Calculation**

Index Shares are generally determined so that the product of an Index Security's Index Shares and Net Asset Value (NAV) divided by the Index market value on the rebalance reference date equals its index weight produced by the weight adjustment procedure.

### **Index Evaluation**

The Index is evaluated semi-annually in January and July. Index reconstitution and rebalances changes become effective at market open on the trading day following the third Friday of January and July. The reconstitution and rebalance are conducted using reference data as of the third Friday of the month prior (December and June, respectively).

Additionally, if at any time during the year other than the Evaluation, an Index Security is determined to have become ineligible for continued inclusion in the Index due to bankruptcy, delisting, or a definitive agreement that would likely result in the security no longer being Index eligible, the security is removed from the Index and is not replaced. In the case of mergers and acquisitions, the Index Security may be removed the day following the shareholder vote or the expected expiration of the tender offer, provided the acquisition is not contested. In the event the acquisition is contested then the deletion will occur as soon as reasonably practicable, once results have been received that indicate the acquisition will likely be successful. 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.

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.

In the interim periods between scheduled index reconstitution 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 the **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.”

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.

Unscheduled component weight adjustments may occur between review periods if any component accounts for more than 24% of the index weight. The market capitalization of any component representing more than 24% of the index weight is adjusted such that its new weight is no more than 20%.

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

**Appendix A: Methodology Change Log**

Effective Date	Methodology Section	Previous	Updated
01/22/2024	Stock Selection	3. Assign each fund an Overall Rank based on its Combined Rank Score, whereby the fund with the lowest Combined Rank Score receives an Overall Rank of 1.	3. Assign each fund an Overall Rank based on its CRS, whereby the fund with the lowest CRS receives an Overall Rank of 1.  In case of a tie, the fund with the lower Rank of Fund Yield will have a lower Overall Rank.

January 2024