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Introduction

Index Objective

The VettaFi New Frontier Dividend Select Indexes aim to deliver excess or “multiplied” dividend yield relative to Market Indexes balanced against volatility and concentration risks using a three stage optimization process and market risk models.

Highlights

The optimization process simulates thousands of portfolios to construct efficient portfolio frontiers. A procedure is applied to find the maximum Dividend Information Ratio (DIR), a balance between excess expected dividend performance and risk, where the ratio is measured as the excess Dividend Forecast Yield of the portfolio divided by standard deviation of the portfolio.

Dates

Reference Date: The last trading day of the month prior to the reconstitution month.

Weight Date: Six days prior to the reconstitution date.

Reconstitution/Rebalance Date:

US – Quarterly after the close of business on the third Friday of the calendar quarter.

International – Semi-annually on the third Friday after the close of business in March and September.

Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein.

The list of the main supplemental documents for this methodology can be found in the Methodologies and Governance tabs on the [Index Resources](#) page as follows:

Supporting Documents
Index Maintenance Policy
Index Governance
Index Policies
Methodology Policies
Glossary
Index Change and Consultation Policy

Eligibility Criteria and Index Construction

Universe

Index	Universe
VettaFi New Frontier U.S. Dividend Select Index	VettaFi US Equity Large-Cap 500 Index (SNR500)
VettaFi New Frontier International Dividend Select Index	VettaFi Developed World ex United States Index (VFDXUS)

Index Construction

Construction and Selection

A three-stage process is used to construct index portfolios drawn from US and International market indexes by optimizing portfolio Forecast Dividend Yield relative to portfolio volatility.

Stage 1 – Thousands of simulations are run against market universes and the portfolio with the maximum Dividend Information Ratio is chosen. (See appendix for details)

Stage 2 - Weight and continuity constraints are applied.

Stage 3 – Portfolio optimized to impose turnover constraints.

Weightings & Constraints

Index weights are determined by the optimizer.

Security constraints:

Weights - Maximum of 5% for the US index, and 2.5% for International index. Minimum of 0.50% and 0.10% for current constituents.

Exclusions - REITs, designated as VettaFi sector codes beginning with 902, are excluded from the index.

Sector constraints:

Weights- Maximum of 30% or 1.5 times the sector weight in the parent index.

Exclusions - Sectors with unusual designations outside VettaFi's 11-sector definition are excluded from the index.

Country constraints

Weights- Maximum of 30% or 2.0 times the country weight in the parent index. Minimum country weight of 2.5%.

Turnover constraints:

One-way turnover constraint of 15% per quarterly rebalance for US index, and a one-way turnover constraint of 20% per semi-annual rebalance for the International Index. If the turnover constraint causes an infeasible optimization, the turnover constraint bound is increased in increments of 1% until a feasible solution is found.

Index Maintenance

Rebalancing and Reconstitution

The Indexes are rebalanced on the “Rebalance Date” and additionally reconstituted on the “Reconstitution Date”. Pricing used in share weights used for reconstitutions are as of the “Weight Date”. Share weights for the rebalanced Indexes are computed as of the “Weight Date”. Changes to the Indexes related to the rebalances are as of the “Rebalance Date”. Additions are only made on reconstitution dates.

Corporate Actions

Please refer to the Index Maintenance Policy document for information on Corporate Action processing.

Base Date and History Availability

Index history availability, base dates and base values are shown in the table below.

Index	Price Index	Base Date	Base Value	Total Return Index	Base Date	Base Value
VettaFi New Frontier U.S. Dividend Select Index	NFUS	12/27/99	1000	NFUST	12/27/99	1000
VettaFi New Frontier International Dividend Select Index	NFDM	03/16/01	1000	NFDMT	03/16/01	1000

Index Calculation

Please refer to the Index Maintenance Policy document for information on index calculations.

Index Governance

The index is governed and managed by a VettaFi Index Committee for the purpose of meeting the goals of the index. For more information, please refer to the Index Governance document.

Index Policies

Please refer to the Index Policies document for information regarding Announcements, Holiday Schedules, Unexpected Exchange Closures, and Recalculation Policy.

Contact Information

For any questions regarding an index, please contact: index.production@vettafi.com

Appendix

Dividend Forecast Yield (DFY): Time-weighted average of two fiscal years' consensus Dividend Per Share (DPS) estimates. Weights are based on each fiscal year's contribution to the next 12 months. The Dividend Forecast Yield estimate is calculated by dividing the dividend estimate by the stock price as of the cut-off date, providing a forward-looking yield based on analyst projections for the coming year.

Dividend Yield Weighted Index:

The Dividend Yield Weighted Index is derived by multiplying the NTMA DY by the parent index weight. These weights are normalized creating the Dividend Yield Weighted Index which serves as a benchmark index.

Stocks with Dividend Forecast Yield greater than 25% are excluded from the Index.

Dividend Forecast Yield inputs are capped at 8%, i.e. stocks with a Dividend Forecast Yield greater than 8% are assigned 8% for optimization.

Dividend Information Ratio:

The Dividend Information Ratio (DIR) is the portfolio dividend forecast yield in excess of the Dividend Yield Weighted Index (i.e. Dividend Forecast Yield of the portfolio minus the Dividend Forecast Yield of the Dividend Yield Weighted Index), divided by standard deviation of the portfolio.

Disclaimer

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