



VettaFi Quality Momentum Index Series Methodology

- VettaFi US Quality Momentum Index

VQMOM

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Introduction

Index Objective

The VettaFi US Quality Momentum index measures the performance of the top 200 US Large/Mid Cap high momentum companies that exhibit high quality . The index is subject to sector and individual security weight constraints. The constituents are weighted by Float Market Capitalization.

Index Family & Highlights

The index family includes the following:

- VettaFi US Quality Momentum Index

The strategy uses a sequential selection approach. First it selects high momentum stocks and then selects high quality stocks within selected group of high momentum stocks.

Dates

Reference Dates: Close of first Friday of March, June, September and December

Reconstitution Dates: Indexes reconstituted quarterly on the third Friday of the last month of each calendar quarter.

Weight Date: 6 business days prior to Rebalance Date.

Rebalance Dates: Indexes are rebalanced quarterly on the third Friday of the last month of each calendar quarter.

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

The starting universe for each index is as follows:

Index	Index Universe
VettaFi US Quality Momentum Index	SNR1000 – VettaFi US Equity Large/Mid-Cap 1000 Index

Multiple Share Classes and Dual Listed Companies

Each company is represented once by the listing with the highest liquidity subject to meeting the eligibility criteria. Ranking is by company market cap and weighting is by eligible company float market cap.

Index Construction

Constituent Selection

The selection of index constituents from the starting universe is as follows:¹

- Calculate risk-adjusted time weighted price momentum score for each company.
- Calculate quality score for each company.

$$\text{Quality Score} = \text{average}(\text{Profitability Z score}, \text{Solvency Z score})$$

- Select the top 400 companies ranked by momentum score.
- Select the top 200 companies ranked by quality score from above 400 companies.

Constituent Weightings & Constraints

The steps are as follows:

- a. Set initial constituent weight as follows:

- b. $w_{i,t} = \frac{fmcap_{i,t}}{\sum fmcap_{i,t}}$

where:

$w_{i,t}$ = weight of stock i at the close of day t

$fmcap_{i,t}$ = float market cap of stock i at the close of day t

- c. Cap the constituent weight at 7%. Excess weight is then distributed pro-rata to all other securities that are under the maximum constituent weight of 7%.

¹ Please refer to appendix for details.

- d. The sum of the constituent weights of each sector cannot exceed 20% more than the weight of the Sector in the Starting Universe. Weights in each sector over this cap are reduced pro-rata within the sector and the excess weight is distributed pro-rata to all uncapped securities that are not part of a capped sector.
- e. The last two steps are repeated iteratively until the constraints are satisfied.

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	Launch Date
VettaFi US Quality Momentum Index	VQMOM	12/17/04	1000	VQMOMTR	12/17/04	1000	12/29/23

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

Quality Score:

Profitability:

ROE = Average of (current EPS/BPS, 1 year forward looking EPS/BPS)

Solvency:

Debt Coverage: Average of (Current Cash Flow From Operations/Total Debt, 1 year forward looking Cash Flow From Operations/Total Debt)

Interest Coverage: Current EBIT/Interest Expense

Solvency = Average (Debt Coverage, Interest Coverage)

Momentum :

Price momentum: Risk-adjusted time weighted price momentum is computed using the daily total returns over the past twelve months. The risk adjusted momentum is weighted such that more recent observations take on a larger weight than those in the past.

Z score and Winsorization:

The z-score for each of the quality components (Profitability and Solvency) for each security is calculated using the mean and standard deviation of the relevant variable within each of the index universes. The z-score above +3 is capped at +3 and z-score below -3 is capped at -3 for each of the quality metric.

Final Quality Score:

Each security's Final Quality Score is the average of available z scores (Profitability and Solvency).

Disclaimer

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