

2018 Index Methodology Review of Nasdaq BulletShares® Municipal Bond Indexes

December 11, 2018

Invesco Indexing has recently completed a methodology review of the Nasdaq BulletShares® Municipal Bond Indexes. Through this exercise, the team considers index methodology updates that have the potential to enhance the indexes' overall representativeness, investability, and consistency with expected exposures and outcomes.

Invesco Indexing recognizes that changes to the methodology may have an impact on organizations that use the indexes as the basis of a portfolio, a performance benchmark, or a comparative index for analytical purposes, among other uses. Therefore, the firm seeks feedback from its clients on proposed changes to better understand the impact from the viewpoint of various stakeholders. Invesco Indexing will actively solicit feedback from clients on the outcome of this methodology review until December 31, 2018. At that time, Invesco Indexing will publish their conclusions and, should any methodology changes occur as a result, those changes are expected to be incorporated in the Indexes and their associated rebalance effective January 31, 2019.

Invesco Indexing is suggesting one change to the Nasdaq BulletShares® Municipal Bond Indexes methodology. The details for the proposed change follows, along with an analysis of expected index turnover solely related to the proposed change. Expected turnover is an approximation and is subject to change.

Invesco Indexing encourages clients to provide feedback on the proposed changes by contacting the team at IndexSupport@invesco.com. Consideration of insights from a range of stakeholders is expected to ensure that the indexes continue to seek to deliver the expected market exposure and outcomes through a clear, thoughtful, and transparent index construction methodology.

Proposal:

Set effective maturity date to pre-refunded date for all pre-refunded municipal bonds with pre-refunded dates.

Affected indexes:

All Nasdaq BulletShares® Municipal Bond Indexes (10 in total)

Current index methodology treatment:

Eligible pre-refunded municipal bonds are treated as callable bonds to determine their effective maturity dates and, hence, their index assignment. Specifically, if the bond’s first call date is within 13 months of maturity and has a par call price, then the effective maturity shall be its actual year of maturity. In other cases, the effective maturity shall be its actual year of maturity unless the yield to next call date is less than the yield to maturity, in which case its effective maturity shall be the year of the next call date.

Proposed index methodology treatment:

The effective maturity of eligible pre-refunded municipal bonds with a known pre-refunding date shall be the year of the pre-refunded date.

Expected impact:

Index	Expected turnover
Nasdaq BulletShares® Municipal Bond 2019 Index	13%
Nasdaq BulletShares® Municipal Bond 2020 Index	8%
Nasdaq BulletShares® Municipal Bond 2021 Index	7%
Nasdaq BulletShares® Municipal Bond 2022 Index	7%
Nasdaq BulletShares® Municipal Bond 2023 Index	6%
Nasdaq BulletShares® Municipal Bond 2024 Index	5%
Nasdaq BulletShares® Municipal Bond 2025 Index	5%
Nasdaq BulletShares® Municipal Bond 2026 Index	5%
Nasdaq BulletShares® Municipal Bond 2027 Index	5%
Nasdaq BulletShares® Municipal Bond 2028 Index	5%

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For further information, please contact IndexSupport@invesco.com.

Kind regards,

Invesco Indexing LLC