



The Motley Fool Next Index

Methodology

The Motley Fool Next Index (the “Index”) is managed by Motley Fool Investment Analytics, LLC (“MFIA”) to define and track the most liquid U.S. companies that have been recommended by The Motley Fool, LLC’s analysts and are not part of The Motley Fool 100 Index.

The Index is reconstituted quarterly, at which time each company’s share of the Index is set to equal the company’s share of all index companies’ aggregate market value (the “Weighting Date”). The Index is calculated to capture both price appreciation and total return, which assumes dividends are reinvested pro-rata across constituents on an index-weighted basis.

1 Membership Criteria

To be eligible for inclusion in the Index, a company must meet the same criteria as The Motley Fool 100 Index, but be outside the 100 largest companies. The Index consists of all companies in the eligible universe, except those that are in The Motley Fool 100 Index. That recommendation universe includes all liquid companies domiciled in the United States that are either active recommendations of a The Motley Fool, LLC research publication or rank among the 150 highest rated U.S. companies in the Fool analyst opinion database, Fool Intel, subject to universe continuity rules. Liquid firms are those that have traded at least \$1 million worth of shares daily, on average, during the preceding three months.

Common stocks, REITs, tracking stocks and holding companies are eligible for inclusion. ADRs, GDRs, EDRs, preferred stocks, closed-end funds, exchange-traded funds and derivatives are not eligible.

Universe continuity rules are applied to the eligible universe during reconstitution. A buffer sized at 30% of the 150-stock conviction target – or 45 stocks – is applied to the Fool Intel universe sleeve to reduce universe turnover.

Specifically, stocks ranked in the top 105 positions based on Fool Intel conviction (70% of the 150-stock target) are automatically included in the candidate universe. Additionally, companies that were previously eligible based on their Fool Intel ratings will still be included as long as their rank is equal to or better than 195 (130%

of the 150-stock target). Stocks are then added based on conviction score rank until the 150-stock target is reached.

Securities that meet the requirements for universe inclusion must also have current pricing data.

Once the eligible universe is determined, inclusion in The Motley Fool 100 Index and The Motley Fool Next Index is determined jointly based on market capitalization and index continuity rules. A buffer of 30% of The Motley Fool 100 Index membership target – or 30 stocks – is used to prevent frequent turnover around The Motley Fool 100 / Next cutoff.

Specifically, stocks ranked in the top 70 positions based on firm-level market cap (70% of the 100-stock target) are automatically included in the candidate universe. Additionally, companies that were previously included in The Motley Fool 100 Index will still be included as long as their market cap rank is equal to or better than 130 (130% of the 100-stock target). Stocks are then added to The Motley Fool 100 Index based on market capitalization rank until the 100-stock target is reached. The remaining stocks are included in The Motley Fool Next Index.

2 Performance Calculations

$$P_{Index} = \frac{1}{D} \sum_i S_i P_i$$

S_i = number of shares of stock i

P_i = price of stock i

D = index divisor

INDEX PRICE LEVEL CALCULATION

The Motley Fool Next Index is calculated every weekday. If trading is suspended while one of the three major exchanges is still open, the last traded price for that stock is used for all subsequent index computations until trading resumes. If trading is suspended before opening, the stock's adjusted closing price from the previous day is used to calculate the Index. Until a particular stock opens, its adjusted closing price from the previous day is used in the Index computation. Index values

are calculated both on a price and total-return basis, in U.S. dollars. Index values are calculated and disseminated on an end-of-day basis.

3 Weighting

The Index is a modified market-capitalization-weighted index. Each component's initial weight on the Weighting Date reflects the component's share of all index companies' aggregate market capitalization.

Initial weights further undergo adjustments to maintain index integrity and diversification, based on the following "24/48" rules:

- If any single issuer's initial weight exceeds 24% of the total index, that weight is adjusted down to 22%.
- Subsequently, if the aggregate weight of issuers with "concentrated positions" (above 4.8%) exceeds 48% of the total index, that aggregate weight is adjusted down to 44% and the balance is pro-rated among the remaining constituents while preserving the order of initial weights.

The Weighting Date is the second to last Monday of each Calendar Quarter. These weights take effect on the Weighting Date and are price-drifted to the Reconstitution Date.

The Index is tested regularly to ensure adherence to the prescribed weighting constraints above. A Special Rebalance may be announced at any moment when such action is deemed necessary for upholding the Index's structural integrity.

4 Dividend Reinvestment

Normal dividend payments are not taken into account in the price index, whereas they are reinvested pro-rata across the Index based on prevailing constituent weights for the total return index. Special dividends require index divisor adjustments to prevent the distribution from distorting the price index.

5 Multiple Share Classes

In the event a component company issues multiple classes of common stock, the specific shares recommended by The Motley Fool, LLC will be used. If both share classes have been recommended, or if neither is specified over the other, the most liquid share class will be used.

6 Index Maintenance

Index maintenance includes monitoring and implementing the adjustments for company deletions, stock splits, stock dividends, spin-offs, or other corporate actions. Some corporate actions, such as stock splits, stock dividends, spin-offs and rights offerings require changes in the Index shares and the stock prices of the component companies.

7 Component Changes

7.1 Additions

Additions to the Index are made at the quarterly reconstitution, according to the inclusion criteria defined above. No additions are made between reconstitutions, except in the case of certain spinoffs and acquisitions, as defined below.

7.2 Delistings

If a component company is delisted, it is deleted from the Index and weights of remaining components are adjusted proportionately.

7.3 Mergers & Acquisitions

If one component company is acquired by another, treatment varies depending on the terms of the deal. If stock is used, the acquiring/surviving company's share of the Index will be increased, to reflect the terms of the deal and the value of the acquired company. Securities removed due to M&A activity after trading has ceased will be removed at the acquisition price for cash transactions and a derived

acquisition price for stock or cash and stock transactions. Otherwise, the security will be removed at the last traded price as of market close the day prior to removal.

If cash is used, the value of the target company, based on its last close price, will be distributed pro-rata across the remaining index constituents. If a combination of cash and stock are used, the cash portion of the deal will be distributed, pro-rata, across the remaining constituents, and the acquiring company's share will be adjusted based on the stock portion of the deal.

If a component company is acquired by a non-component company, the value of the target company will be distributed, pro-rata, to the remaining constituents based on its last close price.

7.4 Spin Offs

If a company is spun-off from an existing component company, it is allowed to stay in the Index until the next quarterly reconstitution.

8 Index Divisor Adjustments

Changes in the Index's aggregate market capitalization, due to changes in composition, weighting or corporate actions will result in changes to the Index's divisor. Corporate actions that require divisor adjustment will be implemented prior to the opening of trading on the effective date. In certain instances, where information is incomplete or if the action is announced too close to the ex-date, the adjustment will be implemented at the close of the following day, or as soon as practical thereafter. For corporate actions not described herein, or combinations of different types of corporate events and other exceptional cases, MFIA reserves the right to determine the appropriate implementation method.

DISCLOSURES

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Motley Fool Asset Management, LLC (“MFAM”), an affiliate of The Motley Fool, LLC (“TMF”), manages certain exchange-traded funds (“ETFs”), which seek investment results that correspond to the total return performance of MFIA indices. The Motley Fool Next Index tracks U.S. domiciled companies that are either active recommendations of TMF newsletter publications or rank among the 150 highest rated companies in the Motley Fool analyst opinion database, subject to universe continuity rules. All investment decisions for the ETFs are made independently by the asset managers at MFAM, an investment adviser registered with the United States Securities and Exchange Commission. No TMF analysts or other personnel are involved in investment decision-making or daily operations of MFAM.

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