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NASDAQ CTA Artificial Intelligence Index



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Index Construction

The NASDAQ CTA Artificial Intelligence Index aims to provide pure-play exposure to the diversified ecosystem of AI companies globally. The index is built in collaboration with:



Consumer Technology Association (CTA): CTA is the trade association representing the US consumer tech industry and it is actively engaged in AI technology, policy and market research. It provides subject matter expertise in the strategy and rates companies based on their AI exposure ('intensity rating'). Its knowledge and expertise drives stock evaluation and selection.



Nasdaq: A leading provider of trading, clearing, exchange technology, listing, indices, information and public company services across six continents. It acts as the third-party calculation agent for the index.



WisdomTree: Issues the Exchange Traded Fund (ETF) tracking this index – the WisdomTree Artificial Intelligence UCITS ETF (WTAI), which is part of its [broad thematic ETF range](#).

1. Define Universe

- + **Nasdaq Global Universe:** Over 11,000 stocks from developed and emerging markets.
- + **CTA Evaluation:** Condenses this list to 300-400 stocks, including potential private companies that could end up going public and then becoming eligible for inclusion at a later date.

2. Identify and Classify

A security's issuer must be classified by CTA as an Artificial Intelligence company fitting the classification of Enabler, Engager or Enhancer:



Enabler: a company that develops the building block components for artificial intelligence, such as advanced machinery, autonomous systems, self-driving vehicles, semiconductors or databases used for machine learning.



Engager: a company that designs, creates, integrates or delivers artificial intelligence in the form of products, software or systems.



Enhancer: a company that provides its own value-added services within the Artificial Intelligence ecosystem that are not core to their product or service offering.

3. Determine AI exposure (Intensity Rating)

Proprietary Intensity Rating: Each company is evaluated by CTA's AI research group and assigned an intensity score. These scores can range between 0.0 and 1.0, and it is based on but not limited to:

- + How core AI is to the company's product offering
- + How meaningful is the AI theme in driving the companies' revenues
- + The company's investment in AI R&D
- + Relevance of the AI solutions the company is developing
- + The company's significance and contribution to the AI ecosystem

Group-Based Evaluation: Engagers, Enablers, and Enhancers are also rated within their respective categories.

4. Apply ESG Screen

Based on the Environmental, Social and Governance (ESG) data provided by Sustainalytics, the companies in the universe are screened based on their business activities and international norms, including:

- Controversial weapons
- Tobacco
- Thermal Coal
- Unconventional oil and gas exploration/production
- Small Arms
- "Noncompliant" companies with the Global Standards Screening (GSS) such as United Nations Global Compact (UNGC)

To obtain further information regarding the ESG exclusions, kindly refer to our [responsible investing page](#).

5. Eligibility Screen

Companies in the universe are then screened for the following eligibility requirements:

Market capitalisation of at least

\$2 billion

A company not in the Index as of the Rebalance Date must have a market capitalisation of at least \$2 billion. A company in the Index as of the Rebalance Date must have a market capitalisation of at least \$1.5 billion.

20%

Free Float: Minimum 20%

\$3 million

Liquidity: Six-month median daily traded value of at least \$3 million.

3 months

Seasoning: A company must have been listed and available for trading for at least three full calendar months, not including the month of initial listing.

6. Stock Selection

Companies that meet the Eligibility Criteria are ranked by CTA's AI Intensity Rating in one of the three categories: Enabler, Engager or Enhancer. CTA's AI Intensity scores capture the perceived degree of a company's AI sector involvement within each category. Companies that are ranked in the top 15 scores in each category, including ties, are selected for inclusion in the index.

- + Tiebreakers: In case of ties (companies with the same top score), more than 15 companies per group can be included within a given group.
- + Enhancers: Companies classified as an Enhancer must have a CTA AI Intensity score of at least 0.80 for inclusion.

Expert Driven Stock Selection:

Companies are selected based on CTA's intensity score, which captures the perceived degree of a company's AI sector involvement.

Weighting:

Companies are weighted according to CTA's intensity score, with a higher score and stronger AI involvement leading to a bigger weight. Companies are weighted by dividing each intensity score by the total intensity score of their classification group. The classification categories' weights are set to the following values:

Enablers: 50%



Engagers: 40%



Enhancers: 10%



Initial Index security weights are determined by dividing each Index Security's CTA AI Intensity Rating by the aggregate CTA AI Intensity Rating of all Index Securities within their respective classification categories. The initial Index Security weights are then adjusted to meet the following constraints:

- + No company weight may exceed 25% of the ratio between the security's six-month median daily traded value and \$150 million.
- + No company weight may exceed 4%.

Rebalance

The index is rebalanced semi-annually in March and September.

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