



**Zacks**

**INDEX  
SERVICES**

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**A DIVISION OF ZACKS  
INVESTMENT MANAGEMENT**

**ZACKS MID CAP CORE INDEX  
(ZAXMC)**

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## **1. Who is ZACKS**

### **Zacks Investment Research**

Zacks Investment Research was formed in 1978 to compile and analyze brokerage research for both institutional and individual investors. The guiding principle behind the work is the belief that there must be good reason for brokerage firms to spend over a billion dollars a year to research stocks to recommend to their clients. Obviously, these investment experts know something special that may be indicative of the future direction of stock prices. Zacks was determined to unlock that secret knowledge and make it available to clients to help them improve their investment results.

This massive undertaking requires Zacks to continually process reports issued by approximately 3,000 analysts from 150 brokerage firms. At any given point in time, Zacks is monitoring well over 200,000 earnings estimates and brokerage recommendation data points, looking for any change - whether it be an upgrade from a "hold" to a "buy" or a revision in an analyst's forecast for a specific quarter or fiscal year. Zacks constantly compiles and updates this information, distributing it to institutional investors and many financial web sites. Zacks ability to gather, analyze, and distribute information on a timely basis makes Zacks' research amongst the most widely used in the industry.

### **Zacks Investment Management**

Zacks Investment Management (ZIM), a wealth management boutique, is an expert on earnings and using earnings estimates in the investment process. The firm is a wholly owned subsidiary of Zacks Investment Research. ZIM employs quantitative models that are made available to both retail and institutional clients through separately managed accounts and mutual funds. Zacks Index Services (ZIS), a division of ZIM, creates and maintains proprietary, quantitative portfolio strategies that are licensed to product sponsors and serve as the basis of investment products such as ETFs, UITs, and CEFs.

## 2. INDEX SUMMARY

<b>Full Name</b>	Zacks Mid Cap Core Index
<b>Index Types</b>	Price Appreciation Index (Ticker: ZAXMC) Total Return Index (Ticker: ZAXMCTR)
<b>Eligible Stocks</b>	All Common Stocks, American Depositary Receipts and Master Limited Partnerships in the mid-cap universe
<b>Number of Constituents</b>	100
<b>Weighting Scheme</b>	Market Capitalization Weighted
<b>Rebalancing &amp; Reconstitution Frequency</b>	Effective Quarterly on the second business day after the last trading day in March, June, September and December
<b>Calculation Frequency</b>	Price Return: 15 seconds between 00:30 & 18:00 ET Gross Total Return: 15 seconds between 00:30 & 18:00 ET
<b>Base date</b>	03/31/1997
<b>Base level</b>	100
<b>Historical Returns available since</b>	03/26/2007
<b>Derivatives and Linked Products</b>	Guggenheim Mid-Cap Core ETF (Ticker: CZA)

## **3. INDEX METHODOLOGY**

### **3.1. Overview**

The Zacks Mid Cap Core Index (“the Index”, hereafter) selection methodology is designed to identify companies with potentially superior risk-return profiles as determined by Zacks. The objective of the Index is to select a diversified group of stocks with the potential to outperform on a risk-adjusted basis the S&P Mid Cap 400 Index and other benchmark indices.

The Index constituent selection methodology utilizes multi-factor proprietary selection rules to identify those stocks that offer the greatest potential from a risk/return perspective while maintaining industry diversification. The approach is specifically designed to enhance investment applications and investability.

### **3.2. Constituent Criteria**

Stocks that meet the below conditions are included in the investable universe:

- Exclude all Canadian Stocks
- Market capitalization falls between the 7<sup>th</sup> percentile and the 25<sup>th</sup> percentile of the remaining universe
- 20% of the investable universe is eliminated based on high long term earnings growth rate
- 10% of the remaining universe is eliminated based on high P/E ratios
- Rank the remaining stocks based on short interest and select the 100 stocks with the lowest short interest
- Weight the final 100 stocks based on relative market capitalization

### **3.3. Rebalancing Frequency**

Index reconstitution will begin quarterly after the close of the last business day of March, June, September, and December. Special rebalancing can occur due to corporate actions such as mergers and acquisitions.

## **4. Index Calculation & Dissemination**

NYSE Euronext (“the Agent”, hereafter) has been selected as the index calculation agent acting on behalf of ZIS. The Agent calculates the index value for both the Price Appreciation and Total Return indexes, and applies all the index maintenance work such as handling of stock splits, M&A activities, etc. according to the specifications provided by ZIS. The Agent also updates and disseminates the index values, notably, through Bloomberg.

## **5. DISCLAIMER**

### **Cases uncovered by the rules provided in this document**

Should ZIS encounter cases that are not covered by the rules provided in this document, ZIS reserves the right to apply an adjustment to the rules that are believed to be along the lines of the purpose of the index.

### **Index Rule Changes**

ZIS reserves the right to amend or withdraw the index rules in whole or in part at any time. ZIS and its affiliates (Zacks Investment Management and Zacks Investment Research) are not liable for any losses resulting from the index rule changes.

### **Liability**

Although ZIS will do its best to ensure the accuracy of all the data and the calculations involved in the periodic index updates, it is not liable for any unforeseen outcomes caused by any inaccuracy in data or human errors.

### **Ownership**

ZIS is the owner of all intellectual and other property rights to the index, including the name, the composition and the calculation of the index.