FREQUENTLY ASKED QUESTIONS:
EXCHANGE-TRADED MANAGED FUNDS

Overview

1. **What is an Exchange-Traded Managed Fund?**
   Exchange Traded Managed Funds (now branded as NextShares) are a new type of exchange-traded product designed to bring the performance advantages and tax efficiencies of ETFs to active fund strategies while protecting confidential portfolio trading information. NextShares will be required to disclose their portfolio holdings at least quarterly with no more than a sixty-day lag, like mutual funds. The SEC issued an order granting Eaton Vance approval to offer NextShares on December 2, 2014.
   Additional information on NextShares can be found at [www.nextshares.com](http://www.nextshares.com).

2. **How do NextShares differ from a traditional ETF?**
   NextShares are intended to be actively-managed investment products that are listed and traded on Nasdaq. Unlike current active and passively managed ETFs, NextShares will not be required to disclose fund holdings on a daily basis. Intraday NextShares trading prices will be reflected in a market-determined discount or premium to next end-of-day Net Asset Value (NAV).

3. **What is the relationship between Nasdaq and Navigate Fund Solutions?**
   Navigate Fund Solutions (Navigate) is a wholly-owned subsidiary of Eaton Vance Corp. Navigate is the owner of the NextShares Intellectual Property (IP). Navigate has contracted with Nasdaq to be the primary listing venue for NextShares and Nasdaq is enhancing proprietary trade and data platforms to support both listing and trading of NextShares.

5. **When does Nasdaq plan to begin trading NextShares?**
   Nasdaq plans to begin trading NextShares on or about October 1, 2015. Nasdaq is working with third-party service providers, such as UTP Securities Information Processor (SIP), Financial Industry Regulatory Authority (FINRA) and Depository Trust & Clearing Corporation (DTCC) to finalize the release timing.

6. **What are the trading hours for NextShares?**
   NextShares orders will be available to trade on the Nasdaq Stock Market during regular market hours (9:30 a.m. – 4:00 p.m. ET).

7. **How are orders handled outside of market hours?**
   NextShares orders submitted to Nasdaq prior to market open will participate in the Nasdaq Opening Cross. All open NextShares orders on Nasdaq market close will be cancelled. Orders for NextShares will not be permitted after market close and will be rejected.
8. What is NAV-based trading?
NextShares prices are based on NAV like mutual funds and trade intraday like ETFs. With NAV-based trading, trading prices will be directly linked to the fund’s end-of-day net asset value (NAV). All bids, offers, and trade prices are expressed as a premium or discount to the end-of-day NAV. For each trade, the premium or discount to NAV is locked-in at trade execution and the final transaction price is determined once NAV is calculated at the end of the day.

9. What is proxy price?
NextShares next-determined NAV is represented as 100 (proxy price). Proxy price for all NextShares will have a base value of 100.00 which serves as a proxy for the fund’s NAV and will be adjusted by the premium/discount being offered/bid as orders are placed. Bids, offers and trades for all NextShares will be represented utilizing proxy price.

For example, if a client wanted to enter a bid of NAV minus $0.01 the proxy price would be 99.99 and if a client wanted to enter an offer of NAV plus $0.02 the proxy price would be 100.02.

10. Is the proxy price 100 every day?
Yes. The NAV for each NextShares is represented by 100.00 every day.

11. What is the Intraday Indicative Value (IIV)?
An intraday portfolio value, calculated from the fund’s portfolio holdings using current market prices of the underlying securities. The IIV is calculated throughout the day, and published under a separate designation every 15 minutes over Nasdaq’s Global Index Data Service (GIDS).

12. What is the purpose of the Intraday Indicative Value (IIV)?
The purpose of the Intraday Indicative Value (IIV) is to give investors a value for estimation purposes when a NAV does not exist. This value allows investors to best approximate what amounts they'd like to buy, based on available funds. IIV can also be used as a base for calculating exposure throughout the trading day. For example, the IIV can also used to help investors determine the number of shares to buy or sell if they want to transact in an approximate dollar amount (i.e., if I want to acquire approximately $5,000 of a NextShares fund, how many Shares do I buy?).

13. Why do NextShares executions/trade reports contain both the proxy price and the IIV?
NextShares execution and trade reports show both the proxy price and IIV to provide investors with the premium or discount at which the trade was executed as well as an approximation of the NAV near the time of the trade. Premium/discount to NAV is locked-in at execution and final trade price is determined once the NAV is computed at the end of day. All bids, offers and trades will be reported to the consolidated tape utilizing proxy price. Orders will be executed throughout the day utilizing proxy price and the most recent IIV is provided to allow customers to calculate risk and exposure. Trade data in NAV plus or minus format will also be available on Nasdaq supplemental data feeds.

14. How does the IIV differ from the NAV?
The intraday indicative value (IIV) is calculated from the fund’s portfolio holdings (using current market prices of the underlying securities. The IIV will be calculated on a NextShares per share
The IIIV will not reflect intra-day portfolio management activity. The Net Asset Value will be calculated by the fund valuation agent once a day per the product prospectus. The IIIV will be published on Nasdaq’s Global Index Data Service (GiDS)

**Rules & Regulations**

15. **Will NextShares be Regulation NMS securities?**
Yes. NextShares will be Regulation NMS-eligible securities.

16. **How will NextShares be treated under the Limit Up Limit Down (LU/LD) plan?**
Limit Up Limit Down (LU/LD) will apply to NextShares in the same manner as traditional Exchange-Traded Products.

17. **How will NextShares be treated under Regulation SHO?**
Regulation SHO will apply to NextShares in the same manner as traditional Exchange-Traded Products.

18. **How will NextShares be treated under Nasdaq’s Clearly Erroneous Rules?**
Nasdaq is still reviewing its clearly erroneous transaction policy for ETMFs. Nasdaq expects a combination of the real-time proxy price and most recent NAV for its reference price determination.

**Nasdaq Trading**

19. **What trading protocols will support NextShares?**
The following protocols will support NextShares:
   - OUCH
   - DROP
   - FIX
   - FIX DROP – CORE
   - FIX DROP – RASH
   - RASH

20. **How will the open / close process on Nasdaq be different for NextShares?**
The open/close process for NextShares will function the same way it does for other equities. All NextShares orders will be eligible to participate in the opening/closing cross. NextShares securities will be subject to all rules governing the opening/closing crosses. All NextShares orders that are to participate in the opening/closing cross will be processed in proxy price format. All NextShares orders that are to participate in the opening/closing cross will be subject to cross cut off times.

21. **What order types will be supported for NextShares?**
The following order types will be supported for NextShares:
   - DAY
   - IOC (Immediate or Cancel)
   - IO ( Imbalance Only)
   - Market
   - Limit
   - GTT (Good Till Time -- cannot be greater than 16:00)
22. How will firms register as market makers in NextShares securities?
Firms will need to qualify as Nasdaq registered market makers in order to be an NextShares market maker. NextShares market maker registration will follow existing equity and ETF market making processes.

**Market Data Dissemination**

23. What Nasdaq proprietary data feeds will be updated to support NextShares?
The following Nasdaq proprietary data feeds support orders and trades from the exchange systems for all Nasdaq-listed instruments (including ETMFs):
- Nasdaq TotalView-ITCH (Standard and FPGA)
- Nasdaq TotalView-Aggregate
- Nasdaq Level 2
- Nasdaq Basic / Nasdaq Best Bid and Offer (QBBO)
- Nasdaq Last Sale (NLS)
- NLS Plus
- NOIView
- Nasdaq Net Order Imbalance Snapshot (NOIS)

In addition, the Nasdaq Global Index Data Service (GIDS) data feed will carry the IIV data for ETMFs and the Mutual Fund Dissemination Service (MFDS) will carry the daily NAV for ETMFs.

24. What data elements will be supported for NextShares on Nasdaq proprietary data feeds?
As part of the normal trading process, Nasdaq will support the net order imbalance, order, quotation and trade data for NextShares in proxy price on its exchange data feeds. In addition, Nasdaq will disseminate the NAV premium / discount amount for vendor display purposes on QBBO, NLS and NLS Plus.

As a reference point, Nasdaq will disseminate IIV values for NextShares via the GIDS data feed on a 15-minute basis intraday.

At the end of day, Nasdaq will disseminate the daily NAV from the fund accounting firm via its Mutual Fund Dissemination Service (MFDS).

Below is a summary of the expected NextShares values by Nasdaq data feed:

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<th>Data Feed</th>
<th>Data Description</th>
<th>Expected ETMF Values</th>
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<td>Nasdaq order-by-order updates (including executions); Cross trade messages; Net order imbalance data for crosses</td>
<td>Trading Data in Proxy Price</td>
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<td>Nasdaq top-of-file market participant quotes</td>
<td>Trading Data in Proxy Price</td>
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25. Will NextShares be supported on UTP SIP data feeds?
Nasdaq will continue to work with the UTP Operating Committee (UTPOC) to determine the NextShares messaging formats for the UTP SIP data feeds.

26. How will NextShares be identified on Nasdaq proprietary data feeds?
Nasdaq will use the Directory message formats to identify NextShares. On exchange data feeds, Nasdaq will introduce a new Issue Sub-Type code of “EM” for NextShares. Nasdaq will use similar fields to identify NextShares on GIDS and MFDS.

27. Is Nasdaq planning to introduce a new sale condition modifier for NextShares securities?
Yes, Nasdaq is proposing to introduce a new Level 1 – Settlement Byte sale condition modifier to be disseminated on trade transactions reported in proxy price. Nasdaq expects that the new sale condition modifier will be supported on the NLS, NLS Plus and UTP Trade Data Feed (UTDF) products.

28. What will NextShares symbology be?
Nasdaq will issue unique five-character identifiers to use for trading purposes. As is the standard process, Nasdaq will work with the Intermarket Symbol Reservation Authority (ISRA) to secure define symbology.

Nasdaq will use the trading symbol as the basis for IIV and NAV symbols for NextShares.

29. How does Nasdaq recommend that market data vendors display NextShares data?
Nasdaq and NFS are requesting that market data vendors display NextShares orders, quotations and trades in NAV-based format if at all possible. For display purposes, Nasdaq is including the NAV premium / discount amount data points on QBBO, NLS and NLS Plus for this purpose. Firms may also calculate the NAV premium / discount amount from proxy price field by deducting $100 from the disseminated value.

30. Which data feeds will support proxy prices?
Nasdaq will support proxy price for all of its proprietary exchange data feeds. Nasdaq is also proposing that the UTP SIP data feeds use proxy price for quotation and trade data.
31. Which data feeds will support NAV-based data elements?
Nasdaq Basic (QBBO) and Nasdaq Last Sale data feeds will support NextShares prices in both proxy price and NAV +/- format.

32. Which data feeds will support IIVs?
Nasdaq will disseminate IIV values for NextShares on the Nasdaq Global Index Data Service (GIDS) data feed at 15-minute intervals during the trading day.

33. Which data feeds will support NAVs?
Nasdaq will disseminate end-of-day NAVs for ETMFs via the Mutual Fund Dissemination Service (MFDS) data feed and web service. MFDS currently supports NAVs for more than 30,000 open-end and closed-end mutual fund securities on a daily basis.

34. How will the Nasdaq Official Opening Price (NOOP) and Nasdaq Official Closing Price (NOCP) be calculated for NextShares?
Nasdaq will calculate the NOOP and NOCP using proxy price orders from the opening / closing cross processes. Nasdaq does not currently plan to adjust NOOP and NOCP prices on any data feeds after the NAV is struck.

35. When will the UTP SIP release its data feed specifications for NextShares?
Nasdaq will be presenting its NextShares change request to the UTP Operating Committee (UTPOC) at the next quarterly meeting. The UTP SIP will issue its market data specification updates after the UTPOC approves proposed changes.

36. Will Nasdaq provide actual trade price data on its exchange data feeds?
No. As noted above, Nasdaq will disseminate order, quotation and trade data in proxy price format on its proprietary data feeds. Nasdaq will not make any price adjustments on its real-time data feeds once the NAV is struck.

Nasdaq plans to post a new end-of-day file with the actual trade transactions for ETMF securities. Nasdaq will provide the end-of-day file format specifications in the second quarter of 2015.

End of Day Processing / Clearing & Settlement

37. Will Nasdaq send trade confirms with the actual trade price once NAV is determined?
Yes, Nasdaq will send trade confirms with the actual trade price once NAV has been determined. All ETMF trades will be re-priced at the end of day, NAV +/- the premium or discount of the trade execution. All prior NextShares trades will be cancelled/corrected with the proper price (NAV +/- the premium or discount). End-of-day price confirms will go out with the NAV +/- the premium or discount amount for each execution to all broker dealers.

38. When will NAV be determined?
Nasdaq expects a NextShares NAV to be calculated, like mutual funds, between 17:00 and 18:00.

39. How will NextShares clear / settle?
Nasdaq, along with Navigate Funds Solutions, is currently in discussions with DTCC regarding the clearance and settlement process for NextShares. More detailed information will be provided once the process has been finalized.
**Other**

40. Where can I find additional information?
- Refer to NextShares website at [www.nextshares.com](http://www.nextshares.com).
- Refer to Nasdaq proprietary data feed specifications.
- Contact U.S. Market Sales at +1 800 846 0477.
- Contact Nasdaq Global Information Services at +1 301 978 5307.

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