

**S&P Dow Jones  
Indices**

A Division of **S&P Global**

# **S&P Access China Enterprises Enhanced Value Index *Methodology***

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# Introduction

## Index Objective

The S&P Access China Enterprises Enhanced Value Index is designed to measure the performance of 100 Chinese companies from the combined universe of the S&P Access China A Index and S&P Access Hong Kong Index with attractive valuations.

## Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

Supporting Document	URL
S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology	<a href="#">Equity Indices Policies &amp; Practices</a>
S&P Dow Jones Indices' Index Mathematics Methodology	<a href="#">Index Mathematics Methodology</a>
S&P Dow Jones Indices' Float Adjustment Methodology	<a href="#">Float Adjustment Methodology</a>
S&P Dow Jones Indices' Global Industry Classification Standard (GICS) Methodology	<a href="#">GICS Methodology</a>

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

# Eligibility Criteria

## Index Eligibility

The index is constructed from the constituents of the S&P Access China A Index and S&P Access Hong Kong Index (the “underlying indices”).

*For more information on the underlying indices, please refer to the S&P China Indices Methodology at [www.spdji.com](http://www.spdji.com).*

For a security to be eligible for index consideration, it must, on the rebalancing reference date:

- Be an existing member of one of the underlying indices with a country domicile of China;
- Not be a suspended security (current constituents are exempt from this rule);
- Have a minimum float-adjusted market capitalization of CNY 5 billion;
- Have a minimum three-month average daily value traded of CNY 20 million.

Securities satisfying the criteria detailed above form the Selection Universe, subject to the multiple share class rules described below.

**Multiple Share Classes.** For each company, only one share class is considered for index inclusion. If a company’s A and H share classes both satisfy the above eligibility criteria, the following rules determine which share class becomes part of the Selection Universe.

- If neither share class is currently an index constituent, then the share class with the higher share price is excluded from index consideration and the share class with the lower share price becomes part of the Selection Universe.
- If one of the share classes is currently an index constituent and its share price is not higher than 105% of the non-constituent’s share price, then the non-constituent is excluded from index consideration and the current constituent becomes part of the Selection Universe. Otherwise, the current constituent is excluded and the non-constituent becomes part of the Selection Universe.

# Index Construction

## Constituent Selection

The selection of index constituents is subject to a 20% buffer for stocks already in the index in order to reduce portfolio turnover. The selection process is done as follows:

1. Value scores are computed for each of the stocks in the Selection Universe.
2. Stocks in the Selection Universe are then ranked by their value score in descending order and those ranked within the top 80 are automatically chosen for index inclusion.
3. All stocks which are current constituents that fall within the top 120 are then chosen for index inclusion in order of their value score.
4. If at this point the target stock count of 100 has still not been met, the remaining stocks are chosen based on their value score.

*For details on the calculation of the value scores, please refer to the S&P Enhanced Value Indices Methodology available at [www.spdji.com](http://www.spdji.com).*

S&P Dow Jones Indices believes turnover in index membership should be avoided when possible. At times a stock may appear to temporarily violate one or more of the addition criteria. However, the addition criteria are for addition to an index, not for continued membership. As a result, an index constituent that appears to violate criteria for addition to that index may not be deleted unless ongoing conditions warrant an index change.

## Weights Computation

For a given rebalancing date, all the index constituents are weighted by the product of their market capitalization and their value score, subject to security and sector constraints. This is done using an optimization procedure such that the maximum weight of each security is the lower of 5% and 20 times its market capitalization index weight, and the maximum weight of any given GICS sector is 40%. Each stock's weight is floored at 0.05%. Note that the capping algorithm redistributes the excess weight to the other stocks in proportion to their value weights.

Where the optimization procedure fails for a given period, the constraints are then relaxed in the following order:

1. **Maximum Stock Weight.** Relax the stock cap by 1%.
2. **Maximum Sector Weight.** If the optimization still fails after Step 1, then also relax the sector cap by 1%.

This process is repeated until the optimization is successful.

## Index Calculations

The index is calculated by means of the divisor methodology used in most S&P Dow Jones Indices' equity indices.

*For more information on the index calculation methodology, please refer to the Modified Market Capitalization Weighted Indices section of the S&P Dow Jones Indices' Index Mathematics Methodology.*

# Index Maintenance

## Rebalancing

The index is rebalanced semi-annually after the close on the third Friday of January and July. The rebalancing reference dates are the last business day of December and June, respectively. Weights calculated as a result of the reference date data are implemented in the index using closing prices as of the Wednesday prior to the second Friday of January and July.

## Additions and Deletions

**Additions.** Except for spin-offs, no additions are made to the index between rebalancings.

**Deletions.** Deletions can occur between rebalancings due to acquisitions, mergers, suspensions or bankruptcies. Index constituents removed from the S&P Access China A and S&P Access Hong Kong Indices are removed from the S&P Access China Enterprises Enhanced Value Index simultaneously.

## Corporate Actions

**Spin-Offs.** The spun-off company is added to the index at a zero price and is dropped from the index after the first day of regular way trading provided the drop event has been announced at least two days prior to the drop date.

*For more information on corporate actions, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.*

## Currency, Currency Hedged, and Risk Control Indices

The index is calculated in Chinese renminbi and Hong Kong dollars.

Reuters bid spot exchange rates are taken daily at 4:17 PM Sydney time and used in the end-of-day calculation of the index.

Additional currency, currency hedged, and risk control versions of the indices may be available. For a list of available currency, currency hedged, and risk control indices, please contact Client Services at [index\\_services@spglobal.com](mailto:index_services@spglobal.com).

*For more information on currency, currency hedged, and risk control indices, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.*

## Other Adjustments

In cases where there is no achievable market price for a stock being deleted, it can be removed at a zero or minimal price at the Index Committee's discretion, in recognition of the constraints faced by investors in trading bankrupt or suspended stocks.

### Base Date and History Availability

Index history availability, base date and base value are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P Access China Enterprises Enhanced Value Index	04/03/2017	01/21/2011	01/21/2011	1000

# Index Data

## Calculation Return Types

S&P Dow Jones Indices calculates multiple return types which vary based on the treatment of regular cash dividends. The classification of regular cash dividends is determined by S&P Dow Jones Indices.

- Price Return (PR) versions are calculated without adjustments for regular cash dividends.
- Gross Total Return (TR) versions reinvest regular cash dividends at the close on the ex-date without consideration for withholding taxes.
- Net Total Return (NTR) versions, if available, reinvest regular cash dividends at the close on the ex-date after the deduction of applicable withholding taxes.

In the event there are no regular cash dividends on the ex-date, the daily performance of all three indices will be identical.

For a complete list of indices available, please refer to the daily index levels file (“SDL”).

*For more information on the classification of regular versus special cash dividends as well as the tax rates used in the calculation of net return, please refer to S&P Dow Jones Indices’ Equity Indices Policies & Practices Methodology.*

*For more information on the calculation of return types, please refer to S&P Dow Jones Indices’ Index Mathematics Methodology.*

# Index Governance

## **Index Committee**

The index is maintained by the Asia Indices Index Committee. All committee members are full-time professional members of S&P Dow Jones Indices' staff. The committee meets regularly. At each meeting, the Index Committee may review pending corporate actions that may affect index constituents, statistics comparing the composition of the index to the market, companies that are being considered as candidates for addition to the index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

*For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.*

# Index Policy

## Announcements

All index constituents are evaluated daily for data needed to calculate index levels and returns. All events affecting the daily index calculation are typically announced in advance via the Index Corporate Events report (.SDE), delivered daily via ftp to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients.

*For more information, please refer to the Announcements section of S&P Dow Jones Indices' Equity Indices Policies & Practices document.*

## Pro-forma Files

In addition to the corporate events file (.SDE), S&P Dow Jones Indices provides constituent pro-forma files each time the index rebalances. The pro-forma file is typically provided daily in advance of the rebalancing date and contains all constituents and their corresponding weights and index shares effective for the upcoming rebalancing. Since index shares are assigned based on prices prior to the rebalancing, the actual weight of each stock at the rebalancing differs from these weights due to market movements.

*Please visit [www.spdji.com](http://www.spdji.com) for a complete schedule of rebalancing timelines and pro-forma delivery times.*

## Holiday Schedule

The index is calculated on days when at least one of the underlying exchanges is open.

*A complete holiday schedule for the year is available at [www.spdji.com](http://www.spdji.com).*

## Unexpected Exchange Closures

For information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

## Recalculation Policy

For information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

*For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.*

## Contact Information

For any questions regarding an index, please contact: [index\\_services@spglobal.com](mailto:index_services@spglobal.com).

# Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com), major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

## Tickers

The table below lists headline indices covered by this document. All currency, currency hedged, risk control, and return type versions of the below indices that may exist are also covered by this document. Please contact [index\\_services@spglobal.com](mailto:index_services@spglobal.com) for a complete list of indices covered by this document.

Index (Currency)	Return Type	Bloomberg
S&P Access China Enterprises Enhanced Value Index (CNY)	Price Return	SPACEVCP
	Total Return	SPACEVCT
S&P Access China Enterprises Enhanced Value Index (HKD)	Price Return	SPACEVHP
	Total Return	SPACEVHT

## FTP

Daily constituent and index level data are available via FTP subscription.

For product information, please contact S&P Dow Jones Indices, [www.spdji.com/contact-us](http://www.spdji.com/contact-us).

## Web site

For further information, please refer to S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com).

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