

**S&P China A-Share
Dividend Momentum
*Methodology***

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Introduction

Index Objective and Highlights

The S&P China A-Share Dividend Momentum Index is designed to measure the performance of 100 high dividend-yielding Chinese stocks in the combined universe of the S&P China A BMI Index and S&P China A Venture Enterprises Index with the highest risk-adjusted price momentum. The dividend yield is calculated as 12-month trailing dividend yield. Momentum scores are calculated based on companies' six-month risk-adjusted momentum.

For more information on the universe, please refer to the S&P China A BMI and S&P China A Venture Enterprises Methodology documents at www.spdji.com.

For more information on score calculation please see Appendices A and B.

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	Equity Indices Policies & Practices
S&P Dow Jones Indices' Index Mathematics Methodology	Index Mathematics Methodology
S&P Dow Jones Indices' Float Adjustment Methodology	Float Adjustment Methodology
S&P Dow Jones Indices' Global Industry Classification Standard (GICS) Methodology	GICS Methodology

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of the index. 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 China A BMI and S&P China A Venture Enterprises Index.

For a security to be eligible for index inclusion, it must, as of the rebalancing reference date:

- Be a member of the S&P China A BMI or S&P China A Venture Enterprises Index
- Not be designated as Special Treatment (ST and *ST) by the Shanghai and Shenzhen Stock Exchanges
- Have a minimum float-adjusted market capitalization (FMC) of RMB 1 billion (0.9 billion for current constituents)
- Have a minimum three-month average daily value traded (ADVT) of RMB 20 million (18 million for current constituents)
- Have paid dividends in the past 12 months

Index Construction

Constituent Selection

The selection of index constituents is done as follows:

1. Stocks without momentum scores available are excluded. Dividend yield is calculated as the 12-month trailing dividend yield. Momentum scores are calculated based on companies' six-month, risk-adjusted momentum (see *Appendices A & B*). The rest of the stocks in the eligible universe are then ranked by dividend yield in descending order. The top 200 stocks with the highest dividend yield are selected and screened for momentum to receive a momentum score, provided that the number of stocks from each GICS sector is capped at 40, and subject to a rebalancing buffer favoring existing index constituents:
 - a. Current index constituents that fall within the top 300 by dividend yield are all selected for momentum screening.
 - b. If, at this point, 200 stocks have not been chosen, the remaining stocks are then selected based on their dividend yield rank, with the number of stocks from each sector capped at 40.
2. The 100 stocks with the highest momentum score selected from Step 1 are chosen for index inclusion, subject to a rebalancing buffer favoring existing index constituents.
 - i. Current index constituents that fall within the top 120, by momentum score, are chosen for index inclusion by order of their momentum scores.
 - ii. If, at this point, 100 stocks have not been chosen, the remaining stocks are chosen based on their momentum scores.

S&P Dow Jones Indices believes turnover in index membership should be avoided when possible. At times a company 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.

Please refer to Appendices A & B for momentum score calculation details.

Constituent Weighting

Constituents are weighted by trailing dividend yields, subject to a maximum single security weight of 5% and a maximum GICS sector weight of 30%. Each stock's weight is floored at 0.05%.

Index Calculations

The index is calculated using the divisor methodology used in all S&P Dow Jones Indices' equity indices.

Please refer to the modified market capitalization weighted section of S&P Dow Jones Indices' Index Mathematics Methodology for further details on index calculation.

Index Maintenance

Rebalancing

The index is rebalanced semi-annually after the close on the last trade day of January and July. The reference date for data used in the rebalancing is the last business day of December and June, respectively.

Additions. Index additions only occur during the rebalancings.

Deletions. Index deletions occur due to delistings, acquisitions or any other corporate event resulting in the deletion of the stock from the index. Constituents removed from an underlying universe index are also removed from the index simultaneously.

Constituent stocks are reviewed on a monthly basis and, at the discretion of S&P Dow Jones Indices, may be removed effective prior to the open of the first business day of the following month and not replaced if the constituent stock publicly announces a suspension to, or cancellation of its dividend program. Such removals are subject to the constituent stock's announcement being made a minimum of five business days prior to month-end.

Deletions that occur outside of the rebalancings are not replaced.

Spin-Offs. A spun-off company is added to the index at a zero price on the ex-date and is removed from the index after at least one day of regular way trading.

Please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document for more details about the treatment of spin-offs.

Initial Public Offerings (IPOs). IPO additions to the index take place at the semi-annual rebalancings. To be considered eligible for index inclusion, an IPO must first be a constituent of the respective index universe.

Corporate Actions

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

Currency, Currency Hedged, and Risk Control Indices

The index is calculated in Chinese renminbi.

Spot exchange rates are used in the end-of-day calculation of the index.

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.

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 Dates 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 China A-Share Dividend Momentum Index	03/29/2018	7/31/2006	7/31/2006	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 document.

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

Index Governance

Index Committee

S&P Dow Jones Indices' Asia Index Committee maintains the index. At each meeting, the Index Committee may review pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an 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.

All methodology changes are posted to the S&P Dow Jones Indices' Web site and announced via email to all clients. The latest available version is posted on the Web site at www.spdji.com.

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 indices rebalance. 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 seven business days prior to the rebalancing, the actual weight of each stock at the rebalancing will differ from these weights due to market movements.

Please visit www.spdji.com for a complete schedule of rebalancing timelines and pro-forma delivery times.

Holiday Schedule

The indices are calculated daily, throughout the calendar year. The only days the indices are not calculated are on days when all exchanges where an index's constituents are listed are officially closed.

A complete holiday schedule for the year is available at www.spdji.com.

Rebalancing

The Index Committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

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 questions regarding an index, please contact: index_services@spglobal.com.

Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at www.spdji.com, major quote vendors, numerous investment-oriented Web sites, and various print and electronic media.

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.

Web site

For further information, please refer to S&P Dow Jones Indices' Web site at www.spdji.com.

Appendix A

Momentum Value Calculation

Momentum value is calculated for each of the securities in the index universe on each of the rebalancing reference dates. The momentum value is determined as follows:

1. The momentum value is computed as the six-month price change, excluding the most recent month of the security in **local** currency. If six months of price history is not available, momentum value is calculated from three months of price history. The effective rebalancing month is stated as month (M).

- a. Momentum Value = $\left(\frac{price_{M-2}}{price_{M-8}} \right) - 1$

- b. Or, Momentum Value = $\left(\frac{price_{M-2}}{price_{M-5}} \right) - 1$ if six months of price history is not available.

NOTE 1: For example, if the effective rebalancing date is on 07/31/2017, the reference date is 06/30/2017, and the momentum value will be calculated based on the prices from 05/31/2017 ($price_{M-2}$) and 11/30/2016 ($price_{M-8}$).

NOTE 2: If there is no price available on day $M-2$ or day $M-8$, the price from the day prior will be used. If there is no price available on any of the ten business days prior, the momentum value will be calculated using formula (b) above. If the same condition exists for formula (b), the stock is excluded from the index.

NOTE 3: For a stock to be included in the index with six-month measurement periods, it must be trading for at least four months prior to the rebalancing reference date.

2. The momentum value is further adjusted by the security's volatility to arrive at risk-adjusted momentum value.

$$\text{Risk-Adjusted Momentum Value} = \frac{\text{Momentum Value}_i}{\sigma_i}$$

where:

σ = Standard deviation of daily price returns for the same date period used in Step 1 above.

Appendix B

Z-Score & Momentum Score Computation

Z-Score Computation. Computing a z-score is a widely adopted method of standardizing a variable. The z-score for risk-adjusted momentum value for each security is calculated using the mean and standard deviation of the relevant variable within each of the index universes.

The z-score is calculated as follows:

$$z_{\alpha} = \frac{(x_{\alpha} - \mu_{\alpha})}{\sigma_{\alpha}}$$

where:

z_{α} = Z-score for a given security

x_{α} = Observed value for a given security

μ_{α} = Arithmetic mean of the variable in a given index universe, excluding any missing values

σ_{α} = Standard deviation of the variable in a given index universe

Winsorization reduces the impact of outliers on a data set by limiting them to a designated value or score. For the S&P Short Term Momentum Indices, the winsorized z-score of a security is capped at ± 3 .

Momentum Score Computation. Using the winsorized average z-scores, a momentum score is computed for each of the securities. For a given security, if its winsorized average z-score is above 0, then its momentum score will be the addition of 1 and the average z-score. On the other hand, if its winsorized average score is below 0, then its momentum score will be the result of the inverse of 1 subtracted by its average z-score.

If $Z > 0$, Momentum Score = $1 + Z$

If $Z < 0$, Momentum Score = $(1 / (1 - Z))$

If $Z = 0$, Momentum Score = 1

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