

S&P Dow Jones Indices

A Division of **S&P Global**

S&P Southeast Asia 40 *Methodology*

October 2017

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Introduction

Highlights

The S&P Southeast Asia 40 is designed to measure exposure to 40 leading stocks from the emerging markets of Indonesia, Malaysia, the Philippines and Thailand through liquid stocks trading on the primary exchange of those countries.

Constituent stocks are members of the S&P/IFC Investable (S&P/IFCI) index series, which meet minimum market capitalization and liquidity requirements. The index uses a modified market capitalization weighting scheme.

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

To be eligible for the S&P Southeast Asia 40, stocks must first be constituents of the S&P/IFCI country indices for Indonesia, Malaysia, the Philippines or Thailand.

Eligibility Factors

Market Capitalization. Stocks must have a float-adjusted market capitalization of at least US\$ 500 million. Current index constituents with a float-adjusted market capitalization of at least US\$ 400 million remain eligible for index inclusion provided they meet the other eligibility criteria.

Liquidity. Stocks must have three-month median daily value traded (MDVT) of at least US\$ 1 million. Current index constituents with a three-month MDVT of at least US\$ 800,000 remain eligible for index inclusion provided they meet the other eligibility criteria.

Domicile. Companies must be domiciled in Indonesia, Malaysia, the Philippines or Thailand.

Listing. Companies must be trading on the primary exchange of Indonesia, Malaysia, the Philippines or Thailand.

Public Float Available to Foreign Investors. If a stock has foreign investment restrictions, it is considered for inclusion only if its foreign available investment limit is greater than 5% at the annual rebalancing.

Multiple Share Classes. In case of multiple share classes, only the most liquid class is considered for eligibility.

Timing of Changes

The index is rebalanced once a year in December. The annual rebalancing is effective after the market close of the third Friday of December. The cut-off date for the data used in the review is the third Friday of November. New constituents and index shares are made available to clients five days in advance of the rebalancing effective date.

Additions. Except for spin-offs, index additions are generally made only during the annual rebalancing. As such, the number of stocks in the index may fall below the targeted constituent count of 40 due to any deletions made between annual rebalancings. However, if the constituent count reaches 30 stocks between annual rebalancings due to deletions, the index committee may rebalance the index at its discretion to reduce single stock concentration.

Deletions. Between rebalancings, a stock can be deleted from the S&P Southeast Asia 40 due to corporate events such as mergers, acquisitions, delistings or significant events impacting the stock's size and liquidity.

In addition, if index constituent's foreign available investment limit reaches 0% between rebalancings, it is removed from the index. The foreign available investment limit is monitored on quarterly basis. However, due to issues of data availability, index actions may experience a lag between when the limit is reached and when the index changes become effective.

Index Construction

Approaches

The S&P Southeast Asia 40 employs a modified market capitalization weighting scheme, using the divisor methodology used in most S&P Dow Jones Indices' equity indices.

At each rebalancing, modifications are made to market cap weights, if required, to reflect available float and reduce single stock concentration as follows:

- No stock can have a weight of more than 10% in the index.
- No country can have a weight more than 40% in the index.

There are two steps in the creation of the index. The first is the selection of the 40 stocks; the second is the weighting of the constituents within the index.

Constituent Selection

1. All constituents of the S&P/IFCI country indices for Indonesia, Malaysia, the Philippines and Thailand comprise the initial selection universe.
2. The median three-month daily value traded (hereafter referred to as "liquidity") and the float-adjusted market capitalization (hereafter referred to as "market cap"), as of the rebalancing reference date, are measured.
3. All stocks with a market cap of less than US\$ 500 million (the "Market Cap Threshold") and/or liquidity of less than US\$ 1 million (the "Liquidity Threshold") are removed. Current index constituents with a market cap of at least US\$ 400 million and liquidity of at least US\$ 0.8 million remain eligible for index inclusion provided they meet the other eligibility criteria.
4. If a company has multiple share classes, the less liquid share class is removed.
5. The remaining stocks are sorted in decreasing order of their market cap. The top 40 become index constituents, subject to the following constraints:
 - A minimum of four stocks from each country, applicable only at the annual rebalancing. This constraint may be breached if any stocks are dropped between annual rebalancings.
 - The top 30 stocks (whether a current constituent or not) are selected for index inclusion. Existing constituents ranked 31-50 are selected in order of highest rank until the target constituent count of 40 is reached. If after this step the target constituent count is not met, then non-constituents ranked 31-50 are selected in order of highest rank until the target constituent count is reached.
 - If a stock has foreign investment restrictions, it is considered for inclusion only if its foreign available investment limit is greater than 5%

The Market Cap Threshold and Liquidity Threshold are subject to change based on market conditions. If less than 40 stocks are eligible at the time of the review, one or more of the eligibility requirements may be relaxed to ensure 40 constituents.

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 the index may not be deleted unless ongoing conditions warrant an index change.

Constituent Weightings

Index constituents are weighted based on modified market capitalization. At each index rebalancing, the weight for each index constituent is capped at 10%, and the weight of each country is capped at 40%.

Index Calculations

The index is calculated by means of the divisor methodology used in all 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 S&P Dow Jones Indices' Index Mathematics Methodology.

Index Maintenance

Rebalancing

The index is rebalanced once a year in December. The annual rebalancing is effective after the market close of the third Friday of December. The reference date for the data used in the review is the third Friday of November.

Corporate Actions

Corporate Action	Adjustment Made to Index	Divisor Adjustment?
Rights Offering	The price is adjusted to the Price of the Parent Company minus (the Price of the Rights Offering/Rights Ratio). Index shares change so that the company's weight remains the same as its weight before the rights offering.	No
Stock Dividend, Stock Split, Reverse Stock Split	Index shares are multiplied by and price is divided by the split factor.	No
Share Issuance, Share Repurchase, Equity Offering or Warrant Conversion	None.	No
Special Dividends	Price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.	Yes
Constituent Change	Spin-offs are added to the index. If the constituent count reaches 30 stocks between annual rebalancings due to deletions, the index committee may rebalance the index at its discretion to reduce single stock concentration and enhance index basket liquidity.	Yes
	Deletions due to delistings, acquisition or any other corporate event resulting in the deletion of the stock from the index causes the weights of the rest of the stocks in the index to change. Relative weights stay the same.	Yes
Spin-off	<i>For information on spin-off treatment, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.</i>	

For more information on corporate actions, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Currency of Calculation

The S&P Southeast Asia 40 is calculated in real-time in U.S. dollars. Underlying local currency prices are collected and converted to U.S. dollars using real-time spot exchange rates sourced from Thomson Reuters. The daily index closing values are calculated in U.S. dollars, Swedish Krona and Euro.

The S&P Southeast Asia 40 Index (USD) WM has end-of-day calculation. Underlying local currency prices are collected and converted to U.S. dollars using WM/Reuters foreign exchange rates. The daily index closing values are calculated in U.S. dollars and Swedish Krona.

For a list of available calculation currencies please contact index_services@spglobal.com.

Exchange Rate

Real-time spot Forex rates supplied by Thomson Reuters at 4:17 PM Sydney time, are used for ongoing index calculation of S&P Southeast Asia 40 Index.

WM/Reuters foreign exchange rates are taken daily at 4:00 PM London Time and used in end-of-day calculation of the S&P Southeast Asia 40 Index (USD) WM. These mid-market fixings are calculated by The WM Company based on Reuters data and appear on Reuters pages WMRA.

In situations where either a stock does not trade or a primary exchange is not open for trading but the index is being calculated, as other constituent primary exchanges are open and trading, the stocks from the closed primary exchange use the last available closing price and convert into U.S. dollars using the foreign exchange rate at the time of calculation.

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 Southeast Asia 40	10/09/2007	12/20/2002	12/20/2002	100

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 located on our Web site, www.spdji.com.

For more information on the calculation of return types, please refer to S&P Dow Jones Indices' Index Mathematics Methodology located on our Web site, www.spdji.com.

Index Governance

Index Committee

S&P Dow Jones Indices' Asia Indices Mumbai Committee maintains the index. Index Committee members are all full-time professional members of S&P Dow Jones Indices' staff. The Index Committee meets twice every quarter. At each meeting, the Index Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the index to the market, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, share counts, Liquidity Threshold, Market Cap Threshold, Basket Liquidity and Maximum Weight, or other matters. In the rare event that fewer than 40 stocks qualify for inclusion at the rebalancing, S&P Dow Jones Indices may modify the criteria to include multiple share classes or reduce the market cap limit, in that order.

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.

For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

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.

Index methodology is constantly under review for best practices and any changes are announced well ahead of time via the Web site and email to all clients.

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 is rebalanced. 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 the index shares are assigned based on the prices seven business days 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 for a complete schedule of rebalancing timelines and pro-forma delivery times.

Pricing

The pricing of index constituents is taken from the stocks included in the index – specifically their primary market listing.

All calculations to arrive at the constituent membership and weightings are made in U.S. dollars.

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 the index 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.

Unscheduled Market Closures

For information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Recalculation Policy

For information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

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 available at www.spdji.com.

Contact Information

For any 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 (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

Tickers

Index	Bloomberg	Reuters
S&P Southeast Asia 40 Index	SPSEA4DP	.SPSEA4DP
S&P Southeast Asia 40 Index (TR)	SPSEA4DT	.SPSEA4DT
S&P Southeast Asia 40 Index (Net TR)	SPSEA4UN	.SPSEA4UN
S&P Southeast Asia 40 Index (EURO)	SPSEA4EP	.SPSEA4EP
S&P Southeast Asia 40 Index (EURO) (Net TR)	SPSEA4EN	--
S&P Southeast Asia 40 Index (Net TR) Swedish Krona	SPSEA4SN	.SPSEA4SN
S&P Southeast Asia 40 Index (SEK) WM	SPSEA4PS	--
S&P Southeast Asia 40 Index (SEK) (TR) WM	SPSEA4TS	--
S&P Southeast Asia 40 Index (SEK) (Net TR) WM	SPSEA4NS	--

FTP

Daily stock level and index 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

Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Liquidity Rule	12/15/2017	Stocks must have three-month average daily value traded (ADVT) of at least US\$ 1 million. Current index constituents with a three-month ADVT of at least US\$ 800,000 remain eligible for index inclusion provided they meet the other eligibility criteria.	Stocks must have three-month median daily value traded (MDVT) of at least US\$ 1 million. Current index constituents with a three-month MDVT of at least US\$ 800,000 remain eligible for index inclusion provided they meet the other eligibility criteria.
Constituent Selection buffer rule	12/15/2017	Provided all other constituent selection criteria are met, a 10 stock buffer rule has been added for current index constituents. If a current index constituent is ranked in the top 50, it remains in the index. If not, the stock is removed and the next largest non-constituent stock is added.	Provided all other constituent selection criteria are met, top 30 stocks (whether a current constituent or not) are selected for index inclusion. Existing constituents ranked 31-50 are selected in order of highest rank until the target constituent count of 40 is reached. If after this step the target constituent count is not achieved, then non-constituents ranked 31-50 are selected in order of highest rank until the target constituent count is reached.
Addition of Market Capitalization Buffer Rule	12/16/2016	--	Current index constituents with a float-adjusted market capitalization of at least US\$ 400 million remain eligible for index inclusion provided they meet the other eligibility criteria.
Addition of Liquidity Buffer Rule	12/16/2016	--	Current index constituents with a three-month average daily value traded of at least US\$ 800,000 remain eligible for index inclusion provided they meet the other eligibility criteria.
Constituent Weightings	12/16/2016	Each stock was assigned a weight in the index, subject to the following constraints: <ul style="list-style-type: none"> • Basket liquidity of at least US\$ 200 million • 10% maximum stock weight • 40% maximum country weight 	Index constituents are weighted based on modified market capitalization. At each index rebalancing, the weight for each index constituent is capped at 10%, and the weight of each country is capped at 40%.
Treatment of Spin-offs	09/30/2015	There was no divisor adjustment for spin-offs.	Depending on the spin-off scenario, there may be a divisor adjustment. For further information, please refer to the Treatment of Spin-offs in S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com .
Addition of Constituent Selection Buffer Rule	12/18/2015	--	Provided all other constituent selection criteria are met, a 10 stock buffer rule has been added for current index constituents. If a current index constituent is ranked in the top 50, it remains in the index. If not, the stock is removed and the next largest non-constituent stock is added.

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