

## The Santiago Exchange Indices Methodology Consultation Results

**SANTIAGO, JUNE 8, 2018:** In August 2016, the Santiago Exchange (the “Exchange”) and S&P Dow Jones Indices (“S&P DJI”) signed an Index Operation and License Agreement. The Exchange’s partnership with S&P DJI, the world’s leading provider of index-based concepts, data and research, includes the adoption of international index methodology standards and the integration of operational processes and business strategies and enhances the visibility, governance, and transparency of the existing indices. The agreement also enables the development, licensing, distribution and management of current and future indices which will be designed to serve as innovative and practical tools for local and global investors. The new and existing Santiago Exchange indices will be co-branded under the “S&P/CLX” name (the “Indices”) that can be used to underlie liquid financial products, expanding the breadth and depth of the Chilean capital market.

As part of this transition, S&P DJI and the Exchange have conducted a consultation with members of the investment community on potential changes to the Indice General de Precios y Acciones (“IGPA”), IGPA Large, IGPA Mid, and IGPA Small (collectively “IGPA Size Indices”), and Indice de Precios Selectivo de Acciones (“IPSA”) to ensure that they continue to meet their objectives and are aligned with the needs of local and international market participants. The methodology changes are summarized as follows:

### IGPA

Bursatility Presence	
Previous	All companies listed on the Exchange with a minimum bursatility presence of 5% are eligible and selected for index inclusion.
Updated	All companies listed on the Exchange with a minimum bursatility presence of 25% are eligible and selected for index inclusion.

### IGPA SIZE INDICES

Size Segmentation	
Previous	The indices are segmented based on total market capitalization using a split of 70/20/10. Companies in the IGPA with a bursatility presence of at least 25% are ranked by total market capitalization, and then total market capitalization at the stock level is accumulated to 70% forming the IGPA Large Index, the next 20% forming the IGPA Mid Index, and the final 10% forming the IGPA Small Index.
Updated	The indices are segmented based on float-adjusted market capitalization using a split of 70/20/10. Companies within the IGPA are ranked by total market capitalization, and then float-adjusted market capitalization at the stock level is accumulated to 70% forming the IGPA Large Index, the next 20% forming the IGPA Mid Index, and the final 10% forming the IGPA Small Index.  A 3% buffer is applied to each size index during the rebalancing in order to minimize turnover. This criterion allows companies currently in the index to retain their current classification if they fall within 3% above or below the 70/20/10 splits.

### INDEX ANNOUNCEMENT

## IPSA

<b>Index Universe</b>	
Previous	The index universe is defined as all Chilean-domiciled stocks trading on the Exchange, except those considered non-investable by pension funds.
Updated	The index universe is defined as all constituents of the IGPA Index, except for listed pension funds (AFPs) and companies holding more than 50% of a public pension funds shares.
<b>Market Capitalization</b>	
Previous	Stocks must have a total market cap of at least US\$ 200 million to be eligible for the index.
Updated	Stocks must have a float-adjusted market capitalization of at least CLP 200 billion (CLP 160 billion for current constituents).
<b>Bursatility Presence</b>	
Previous	--
Updated	Stocks must have a bursatility presence of at least 90% to be eligible for index inclusion (85% for current constituents).
<b>Minimum Annualized Six-Month Median Value Traded Ratio (MVTR)</b>	
Previous	--
Updated	Stocks must have a MVTR of at least 10% to be eligible for index inclusion (7% for current constituents). <sup>1</sup>
<b>Stock Count</b>	
Previous	The index has a fixed constituent count of 40 stocks.
Updated	The index has a minimum and maximum constituent count of 25 and 30 stocks, respectively.
<b>Index Construction Ranking Measure</b>	
Previous	Stocks are ranked and selected based on average daily value traded (Monto Transado Promedio Diario or MTPD in Spanish).
Updated	Stocks are ranked based on six-month median daily value traded (MDVT).
<b>Index Construction Process</b>	
Previous	The top 40 stocks ranked by average daily value traded (ADVT), subject to the following: <ol style="list-style-type: none"> <li>1. All index constituents within the top 45 rankings are selected.</li> <li>2. If there are less than 40 selected stocks, then non-constituents are selected from the top ranking spots by ADVT.</li> </ol>
Updated	The top 30 stocks ranked by six-month median daily value traded (MDVT) are selected, subject to buffers and a minimum stock count of 25, as detailed in the steps below: <ol style="list-style-type: none"> <li>1. All eligible stocks within the top 25 rankings are automatically selected.</li> <li>2. The remaining five spots are filled with current constituents ranked among the top 35.</li> <li>3. If there are less than 30 selected stocks after step 2, then eligible non-constituents are selected until the target stock count of 30 is met.</li> <li>4. If there are less than 30 eligible stocks after step 3, then all eligible stocks are selected.</li> </ol> <p>If there are less than 25 eligible stocks after step 4, then the Index Committee will use discretion in order to determine the best approach in achieving the minimum stock count of 25.</p>

<sup>1</sup> The monthly median value traded ratio is calculated for each of the prior six months, by taking the monthly median daily value traded, multiplying by the number of days the stock traded during the month, and then dividing by its respective end-of-month float-adjusted market capitalization. The average of the monthly median value traded ratios would then be calculated and multiplied by 12.

## INDEX ANNOUNCEMENT

<b>Weighting Scheme</b>	
Previous	Index constituents are weighted by float-adjusted market capitalization and are uncapped.
Updated	Index constituents are weighted by float-adjusted market capitalization, subject to a 15% single stock cap. In addition, a 25% economic group cap is applied, based on data published by the Chilean Commission for the Financial Market (Comision para el mercado financiero).  The excess weight of stocks exceeding these caps is redistributed proportionally among the other stocks at rebalancing. Stock capping is applied quarterly and takes effect at the open of the Monday following the third Friday of March, June, September and December.

<b>Rebalancing Effective Dates</b>	
Previous	The index is rebalanced annually, effective at the close of business on the first Friday of February.
Updated	The index is rebalanced semi-annually, effective at the open on the Monday following the third Friday of March and September. The rebalancing reference dates are the third Friday of February and August, respectively. Updates to shares, float and weights occur quarterly and take effect at the open on the Monday following the third Friday of March, June, September and December.

<b>Stock Replacement Policy</b>	
Previous	Replacements are made on an as needed basis in order to maintain a fixed count of 40 stocks.
Updated	Stock replacements are made only at the time of rebalancing.

Pursuant to the previously announced maintenance consultation results<sup>2</sup> and in addition to the methodology changes described above, S&P DJI and the Exchange will modify the eligibility criteria for companies with court recovery characteristics. This change is applicable to all Santiago Exchange Indices. The table below summarizes the change.

<b>Companies with Court Recovery Characteristics</b>	
Previous	Companies with court recovery characteristics are ineligible for index inclusion. <sup>3</sup>
Updated	The eligibility criterion described above has been eliminated and the indices instead follow S&P DJI's standard policies and practices as detailed in S&P DJI's Equity Indices Policies & Practices Methodology available <a href="#">here</a> .

**Effective Date.** The S&P/CLX co-branded methodology for the impacted indices will be published on S&P DJI's website starting August 6, 2018. The co-branded methodology will reflect the new rules, announced above, as well as an Appendix detailing the methodology changes. Please note that any modifications to the constituents or weights of an impacted index due to the new rules will not be implemented until each index's first rebalancing effective date after Monday, August 6, 2018 (the "Transition Date").

<sup>2</sup> The Santiago Exchange Indices Maintenance Consultation Results announced on May 7, 2018 are available [here](#).

<sup>3</sup> Court recovery is defined as when a company files a recovery plan agreed upon together with its creditors with involvement from an arbitrator.

## ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500<sup>®</sup> and the Dow Jones Industrial Average<sup>®</sup>. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has become home to over 1,000,000 indices across the spectrum of asset classes that have helped define the way investors measure and trade the markets.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit [www.spdji.com](http://www.spdji.com).

## ABOUT THE SANTIAGO EXCHANGE

The Santiago Exchange manages a multi-asset class exchange, and currently trades over USD 1.5 billion a day in equities, fixed income securities, exchange-traded financial derivatives, money market instruments, investment funds and foreign securities. During the last decade, the Santiago Exchange has expanded and evolved into a player of interest for global investors and a strategic partner for regional exchanges. It has led the offering of new instruments, such as ETFs and derivatives, and the development of best practices in the market, such as the release of recommendations of extended transparency for listed companies. For more information, visit [www.bolsadesantiago.com](http://www.bolsadesantiago.com).

### FOR MORE INFORMATION:

#### **S&P Dow Jones Indices**

[index\\_services@spglobal.com](mailto:index_services@spglobal.com)

#### **The Santiago Exchange**

[indices@bolsadesantiago.com](mailto:indices@bolsadesantiago.com)

#### **Media Inquiries**

[spdji\\_communications@spglobal.com](mailto:spdji_communications@spglobal.com)