

# S&P Dow Jones Indices

A Division of **S&P Global**

# S&P/HKEX LargeCap Index *Methodology*

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# Introduction

## Index Objective

The S&P/HKEX LargeCap index measures the performance of the largest and most liquid stocks in the Hong Kong equity markets. The 25-stock index consists of leading companies on the main board of the Stock Exchange of Hong Kong. The index is float-adjusted market capitalization weighted, with each company’s weight reflective of shares publicly available for trading, and is balanced across the Global Industry Classification Standard (GICS®) sectors.

Subject to S&P Dow Jones Indices’ compliance with the applicable law (including, without limitation, sanctions law), the index is maintained from a China based investor perspective<sup>1</sup> and may include securities that would not be eligible for inclusion if maintained from a U.S./U.K./EU investor perspective.

## Partnership

S&P Dow Jones Indices and Hong Kong Exchanges and Clearing Limited (HKEX) together created the S&P/HKEX index series, which includes the S&P/HKEX LargeCap, which measures the SEHK main board, and the S&P/HKEX GEM, which measures the SEHK Growth Enterprise Market (GEM).

*For information on the S&P/HKEX GEM, please refer to the S&P/HKEX GEM Methodology available on our Web site, [www.spglobal/spdji.com](http://www.spglobal/spdji.com).*

## 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 the 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.

<sup>1</sup> The investor perspective is the viewpoint of the investor relative to the index and component securities.

# Eligibility Criteria

## Eligibility Factors

**Market Capitalization.** Larger companies, as measured by their float-adjusted market capitalization, are considered for inclusion in the index. Index weights are determined using the float-adjusted market capitalization.

*Please refer to the Investable Weight Factor section for details.*

**Liquidity.** Liquidity is measured by the float turnover of the 12-month volume traded divided by the float-adjusted shares outstanding as of the rebalancing reference date. The minimum float turnover required for index inclusion is 0.3 (0.24 for current constituents).

**Initial Public Offerings (IPOs).** IPOs must have a trading history of at least six months to be eligible for index inclusion.

**Eligible Securities.** All common and preferred shares (which are of an equity and not a of fixed income nature) are eligible for inclusion in the index. Convertible stock, bonds, warrants, rights, and preferred stock that provide a guaranteed fixed return are not eligible.

**Multiple Share Classes.** Each company is represented only once by the Designated Listing. In the event Designated Listing of the company is not listed on the Stock Exchange of Hong Kong, the one listed on the Stock Exchange of Hong Kong is selected.

**Sector Classification.** Stocks are classified by GICS.

*For information on GICS, please refer to the GICS Methodology.*

# Index Construction

## **Constituent Selection**

Constituent selection is at the discretion of the Index Committee and is based on the eligibility criteria.

## **Constituent Weighting**

Constituents are float-adjusted market capitalization weighted, subject to a 15% company cap.

## **Index Calculations**

Index calculations are based on stock prices taken from the Stock Exchange of Hong Kong (SEHK). The official daily index closes for both price and total return indices are based on closing prices on the Hong Kong Stock Exchange. Real-time quotes are provided and updated every 15 seconds through SEHK and recognized international data vendors.

*For more information on the Index calculation methodology, please refer to Capped Market Capitalization Indices within the S&P Dow Jones Indices' Index Mathematics Methodology.*

# Index Maintenance

## Rebalancing

The index is rebalanced quarterly, effective after the close of trading on the third Friday of March, June, September, and December. The reference date for data used in the rebalancing is after the close of the second to last Friday of February, May, August, and November. Using the closing prices as of the Wednesday prior to the second Friday in the rebalancing month, index shares are assigned as a result of capping.

**Additions.** An index addition is generally made only if an index vacancy is created by an index deletion. Index additions are made according to their market size and liquidity, with a view to preserving sector representation. IPOs must have a trading history of at least six months to be eligible for index inclusion. An exception may be made for extraordinary large global offerings where expected trading volume justifies inclusion.

**Deletions.** Deletions can occur due to acquisitions, mergers and spin offs or due to bankruptcies or suspension. Companies may also be removed when they no longer represent the market. The changes are made at the discretion of the Index Committee.

**Share Updates.** Please refer to *S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology*.

## Corporate Actions

For more information, please refer to the Market Capitalization Indices section within S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

## Currency of Calculation and Additional Index Return Series

The index is calculated in Hong Kong dollars.

In addition to the indices detailed in this methodology, additional return series versions of the indices may be available, including, but not limited to: currency, currency hedged, decrement, fair value, inverse, leveraged, and risk control versions. For a list of available indices, please refer to the [S&P DJI Methodology & Regulatory Status Database](#).

*For information on various index calculations, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.*

*For the inputs necessary to calculate certain types of indices, including decrement, dynamic hedged, fair value, and risk control indices, please refer to the Parameters documents available at [www.spglobal/spdji.com](http://www.spglobal/spdji.com).*

## Investable Weight Factor (IWF)

All constituents of the index are assigned a float-adjustment factor, called an Investable Weight Factor (IWF). The IWF ranges between 0 and 1, and is an adjustment factor that accounts for the publicly available shares of a company. The company's adjusted market capitalization is used to determine a constituent's weight in the index.

*For more information, please refer to S&P Dow Jones Indices' Float Adjustment Methodology.*

## Other Adjustments

In cases where there is no achievable market price for a stock being deleted, it may 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/HKEX LargeCap	03/03/2003	12/31/1997	02/23/2003	10,000



# 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 tax rates used in the calculation of net return indices, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

*Please refer to the S&P Dow Jones Indices' Index Mathematics Methodology document for more information on total return calculations.*

# Index Governance

## Index Committee

An S&P Dow Jones Indices' Index Committee maintains the indices. The Index Committee meets regularly. All committee members are full-time professional members of S&P Dow Jones Indices' staff and are responsible for setting policy and determining index composition.

Subject to the index policies and guidelines outlined in this document, the Index Committee in its sole and absolute discretion may add or remove any company from the index as part of its index maintenance responsibilities. Deliberations of the Index Committee are kept strictly confidential. This methodology document is reviewed with the advice of, and in consultation with, the Index Committee and may be subject to change at any time.

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 Action report (.SDE), delivered daily 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 on S&P Dow Jones Indices' announcements, please refer to the [Announcement Policy](#).*

## Pro-forma Files

In addition to the corporate actions 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 effective date, the actual weight of each stock at the rebalancing differs from these weights due to market movements.

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

## Holiday Schedule

The index is calculated on every SEHK trading day.

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

## Recalculation Policy

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

## Real-Time Calculation

Real-time, intra-day, index calculations are executed for the price return series, whenever any of the index's primary exchanges are open. Real-time indices are not restated.

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

**Contact Information**

For 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.spglobal/spdji.com](http://www.spglobal/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 versions of the below indices that may exist are also covered by this document. Please refer to the [S&P DJI Methodology & Regulatory Status Database](#) for a complete list of indices covered by this document.

Index	Bloomberg	RIC
S&P/HKEX LargeCap	HKSPLC25	.SPHKL
S&P/HKEX LargeCap (TR)	HKSP25T	---

## Index Data

Daily constituent and index level data are available via subscription.

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

## Web site

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

# Appendix I

## Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Rebalancing Reference Date	12/17/2021	The reference date for data used in the rebalancing is after the close of the last day of February, May, August, and November.	The reference date for data used in the rebalancing is after the close of the second to last Friday of February, May, August, and November.
Investor Perspective	06/18/2021	--	Subject to S&P Dow Jones Indices' compliance with the applicable law (including, without limitation, sanctions law), the index is maintained from a China based investor perspective <sup>2</sup> and may include securities that would not be eligible for inclusion if maintained from a U.S./U.K./EU investor perspective.
Trading History Requirement for IPOs	06/21/2019	--	IPOs must have a trading history of at least six months to be eligible for index inclusion.
Float Turnover	06/21/2019	Only stocks that are actively and regularly traded are considered for inclusion in the index. As a general guideline, only stocks with a float turnover exceeding 0.30 are considered for inclusion in the index (12-month volume traded divided by float shares).	Liquidity is measured by the float turnover of the 12-month volume traded divided by the float-adjusted shares outstanding as of the rebalancing reference date. The minimum float turnover required for index inclusion is 0.3 (0.24 for current constituents).
Treatment of Spin-offs	09/30/2015	Any spin-off is reviewed for index inclusion or exclusion.	The spun-off company is added to the index at a zero price at the market close of the day before the ex-date (with no divisor adjustment). If determined to be ineligible to remain in the index, the spun-off company is then removed after at least one day of regular way trading (with a divisor adjustment).

<sup>2</sup> The investor perspective is the viewpoint of the investor relative to the index and component securities.

# Appendix II

## EU Required ESG Disclosures

<b>EXPLANATION OF HOW ENVIRONMENTAL, SOCIAL &amp; GOVERNANCE (ESG) FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY<sup>3</sup></b>	
<b>1.</b>	<b>Name of the benchmark administrator.</b> S&P Dow Jones Indices LLC.
<b>2.</b>	<b>Underlying asset class of the ESG benchmark.<sup>4</sup></b> N/A
<b>3.</b>	<b>Name of the S&amp;P Dow Jones Indices benchmark or family of benchmarks.</b> <a href="#">S&amp;P DJI Equity Indices Benchmark Statement</a>
<b>4.</b>	<b>Do any of the indices maintained by this methodology take into account ESG factors?</b> No
<b>Appendix latest update:</b> February 2021	
<b>Appendix first publication:</b> February 2021	

<sup>3</sup> The information contained in this Appendix is intended to meet the requirements of the European Union Commission Delegated Regulation (EU) 2020/1817 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the minimum content of the explanation of how environmental, social and governance factors are reflected in the benchmark methodology.

<sup>4</sup> The 'underlying assets' are defined in European Union Commission Delegated Regulation (EU) 2020/1816 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published.

# Disclaimer

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