

HSBC VantageZ Index Series Consultation

AMSTERDAM, MAY 29, 2020: S&P DJI Netherlands B.V., a wholly owned subsidiary of S&P Dow Jones Indices LLC., (“S&P Dow Jones Indices” or “S&P DJI”) is the benchmark administrator for the HSBC VantageZ Index Series. The HSBC VantageZ Index Series is owned by HSBC Bank plc. S&P DJI is conducting a consultation with market participants on potential changes to the Index Series.

S&P DJI is considering redefining the Index Series and amending the list of index constituents as described below.

REDEFINE THE INDEX SERIES

S&P DJI proposes redefining the Index Series by changing two existing indices and introducing a new index as follows:

- **HSBC VantageZ Index.** This existing index is currently a rules-based, quantitative, long only asset allocation strategy index that uses modern portfolio theory principles and the related concept of efficient frontier to maximize returns for a given level of risk, which in this case is a target volatility of 5%. The Index incorporates a fee of 0.85% per annum, deducted daily. Under this proposal, the index would be based on the HSBC VantageZ Gross Index and incorporate an adjustment factor of 1.10% per annum, deducted daily.
- **HSBC VantageZ Gross Index.** This existing index is currently a non-fee version of the HSBC VantageZ Index. Under this proposal, the index would be changed to the daily exponentially weighted risk control version of the HSBC VantageZ Base Index with an exposure that varies between 0% and 150% that may be adjusted on each Index Business Day with a target volatility of 6%.
- **HSBC VantageZ Base Index.** This new index would be a long only index and use modern portfolio theory principles and the related concept of efficient frontier to maximize returns for a given level of risk, which in this case would be a target volatility of 5%.

LIST OF INDEX CONSTITUENTS AND CAPS

S&P DJI proposes amending the list of index constituents as follows:

- Reduce the number of assets involved in the construction of the Index Series from 20 to 19 by removing the United States Oil Fund LP (USO).
- Replace the ICE Libor USD 3 Month with the Secured Overnight Financing Rate (SOFR) (extended by FedFund + 4bps before April 2018, for the pro-forma data).
- Change the Cash Asset and Group Cap from 50% to 0%.

BASE DATES AND INDEX HISTORY

If the above changes are adopted, S&P DJI proposes amending the base date and restate the indices' index history as follows:

- Change the HSBC VantageZ Index Base Date from 05/21/2014 to 10/14/2014.

- Restate the index history for all indices in the Series since their Base date to reflect the methodology changes.

IMPLEMENTATION TIMING

S&P DJI proposes implementing the changes described above, if adopted, as of the market close on June 10, 2020.

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

1. **Do you agree with the proposed methodology changes?**
2. **If the proposed methodology changes are adopted, do you agree with the proposed implementation date?**
3. **Do you have any other comments or feedback regarding the proposed changes outlined above?**

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. Please respond to this survey by **June 5, 2020**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

For further information about this consultation, please contact S&P Dow Jones Indices at SPDJI_Index_Governance@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

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® and the Dow Jones Industrial Average®. 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 been innovating and developing indices across the spectrum of asset classes helping to 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.

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