

Mexico City, May 17<sup>th</sup>, 2017

## **Bolsa Mexicana de Valores (BMV) and S&P Dow Jones Indices (S&P DJI) announce methodology changes to the BMV IPC and INMEX Indices.**

**Mexico City, May 17 2017:** The Mexican Stock Exchange (BMV) and S&P Dow Jones Indices (S&P DJI) today announced the following methodology changes to the BMV Índice de Precios y Cotizaciones, (IPC, IRT) and BMV Mexico Index (INMEX, INMEX RT). The changes are effective with the upcoming September 2017 rebalance which will be effective at the open of trading on Monday, September 18, 2017.

### **Índice de Precios y Cotizaciones, (IPC, IRT)**

The following changes are being made to the Índice de Precios y Cotizaciones, (IPC, IRT).

	<b>New Methodology</b>
<b>Constituent Selection</b>	<p><b>Universe</b> – The underlying universe includes all stocks in the equity market (excluding FIBRAS and Mortgage Trusts) that are listed on the Bolsa Mexicana de Valores.</p> <p><b>Market Capitalization*</b> – Each eligible share class must have a minimum of MXN 10,000 million VWAP (Volume Weighted Average Price) float adjusted market cap.</p> <p><b>Investable Weight Factor (IWF)</b>- Minimum IWF of 10%.</p> <p><b>Days traded</b> – 95% of days traded of the last 6 months.</p> <p><b>Trading History.</b> Stocks must have traded for at least three months prior to the rebalancing reference date.</p> <p><b>Liquidity**</b></p> <ul style="list-style-type: none"> <li>• 25% minimum annualized median traded value ratio (MTVR) for 3 and 6 months as of the reference rebalancing date.***</li> <li>• 3 and 6 months median daily traded value (MDTV): MXN 50 million</li> </ul> <p><b>Selection</b> – All stocks meeting minimum size and liquidity criteria are selected.</p> <ul style="list-style-type: none"> <li>• If there are more than 35 stocks selected, the eligible stocks will be ranked based on a combined ranking of VWAP float adjusted market cap and 6-month MDTV (median daily traded value) and stocks with the largest rankings will be excluded until the index reaches 35 stocks.</li> <li>• If there are less than 35 stocks selected, all non components that did not meet the minimum size and liquidity criteria will be ranked based on a combined ranking of VWAP float adjusted market cap and 6-month MDTV (median daily</li> </ul>

	<p>traded value) and stocks with the smallest rankings will be included until the index reaches 35 stocks.</p> <ul style="list-style-type: none"> <li>• If there is a tie in ranking then the stocks with the highest liquidity based on MDTV will be selected</li> </ul> <p><b>Multiple Classes</b> – If a company has multiple share classes all meeting the eligibility criteria, the share class with the highest liquidity as of the rebalancing reference date in September/March based on 6-month MTRV is selected.</p> <p><b>Buffer for existing index constituents</b> - index stocks will not be removed if they fulfill the thresholds listed below during rebalancing:</p> <ul style="list-style-type: none"> <li>• VWAP Float Adjusted market cap minimum of MXN 8 billion</li> <li>• MTRV of 15% annualized</li> <li>• MDTV of MXN 30 million</li> </ul> <p>* <b>Definition of VWAP Market Cap</b> - The VWAP float-adjusted market capitalization is calculated by multiplying the number of shares outstanding by the company's IWF and by the VWAP of the three-month period prior to the rebalancing reference date.</p> <p>**<b>Cross Trades</b> - Subtracting from the daily traded value of each issuer, the traded value of cross trades that exceeds the average of the market's cross trades activity plus 1.5 standard deviations.</p> <p>*** <b>Monthly MTRV Calculation (3-month and 6 month)</b></p> <ol style="list-style-type: none"> <li>1. Calculate median daily traded value (MDTV) for every month</li> <li>2. Calculate days traded for every month</li> <li>3. Calculate month-end float adjusted market cap</li> <li>4. Monthly MTRV = (Result from Step 1 * Result from Step 2) / Result from Step 3</li> <li>5. Sum most recent three months and annualize to get the three-month MTRV. Follow the same step for the six-months MTRV</li> </ol>
<b>Rebalance Schedule</b>	The index will be rebalanced semi-annually at the open of trading on the Monday following the third Friday in March and September. In addition, the index will be reweighted at the open of trading on the Monday following the third Friday in June and December.
<b>Rebalance Reference Date</b>	The rebalance reference date for each semi-annual rebalance will be the last business day two months prior to the rebalance effective date. (For example, the reference date for the March rebalance will be the last business day of January and the reference date for the September rebalance will be the last business day in July).
<b>Pro-forma Schedule and Pricing Reference Dates during Rebalance</b>	Index shares will be assigned based on prices two business days prior to the pro-forma date and pro-forma files will be provided five business days in advance of the reweighting effective date. There will be 10 days advance notice in March and September during the semi annual rebalance periods.
<b>Replacements</b>	Replacement stocks will only be included at each semi annual rebalance. In the event that the index falls below 30 companies, the index committee will review the index to determine if replacement stocks are required in order to maintain the index objective.
<b>Investable Weight Factors (IWFs)</b>	Float factors will no longer be rounded up to the next 5%. Instead, a more accurate float of each company will be used in order to better represent the float adjusted market cap of each company. The float factors will be rounded to the nearest one percentage point.

Is important to mention that this is just a piece of the methodology, and the complete methodology is available at:

[http://www.bmv.com.mx/docs-pub/INDICES/CTEN\\_INNM/methodology\\_bmv\\_ipc.pdf](http://www.bmv.com.mx/docs-pub/INDICES/CTEN_INNM/methodology_bmv_ipc.pdf)

## BMV Mexico Index (INMEX, INMEX RT)

The following changes are being made to the BMV Mexico Index (INMEX, INMEX RT).

	<b>New Methodology</b>
<b>Constituent Selection</b>	<p><b>Universe</b> - The starting universe is the IPC adjusted for any rebalance changes.</p> <p><b>Selection</b> – Rank each stock in the starting universe based on a combined ranking of VWAP float adjusted market cap and 6-month MDTV (median daily traded value). The top 20 stocks with the smallest ranking would form the index. In order to reduce turnover, the selection is subject to a 2 stock buffer, whereby index constituents would remain in the index if they rank among the top 22 stocks. If there is a tie in ranking then the stocks with the highest liquidity based on MDTV will be selected.</p>
<b>Rebalance Schedule</b>	The index will be rebalanced semi-annually at the open of trading on the Monday following the third Friday in March and September. In addition, the index will be reweighted at the open of trading on the Monday following the third Friday in June and December.
<b>Rebalance Reference Date</b>	The rebalance reference date for each semi-annual rebalance will be the last business day two months prior to the rebalance effective date. (For example, the reference date for the March rebalance will be the last business day of January and the reference date for the September rebalance will be the last business day in July).
<b>Pro-forma Schedule and Pricing Reference Dates during Rebalance</b>	Index shares will be assigned based on prices two business days prior to the pro-forma date and pro-forma files will be provided five business days in advance of the rebalance and reweighting effective date.
<b>Replacements</b>	Replacement stocks will only be included at each semiannual rebalance.
<b>Investable Weight Factors (IWFs)</b>	Float factors will no longer be rounded up to the next 5%. Instead, a more accurate float of each company will be used in order to better represent the float adjusted market cap of each company. The float factors will be rounded to the nearest one percentage point.

# S&P Dow Jones Indices

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## About BMV

BMV Group is a fully integrated Exchange Group that operates cash, listed derivatives and OTC markets for multiple asset classes, including equities, fixed income and exchange traded funds, as well as custody, clearing and settlement facilities and data products for the local and international financial community.

## FOR MORE INFORMATION:

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