

S&P/BMV China SX20 Index Consultation on Constituent Selection

MEXICO CITY, JANUARY 9, 2023: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the S&P/BMV China SX20 Index. The purpose of this change is to reduce index turnover and consider the liquidity of the local US listings instead of the Global Marketability Scores that only consider the liquidity in Mexico since these companies also trade in the U.S.

S&P DJI is proposing to use the six-month median daily value traded (“MDVT”) instead of the Marketability Factor. This proposal aims to apply a more effective liquidity screening as well as align the methodology with other S&P DJI Indices. Additionally, this proposal also adopts buffer rules that may improve the index turnover. The tables below summarize the potential changes on the Constituent Selection section:

Liquidity Criteria	
Current	Marketability Factor. All stocks in the Selection Universe are ranked in descending order based on their average Global Marketability Scores ¹ over the six-month period prior to the rebalancing reference date.
Proposed	Liquidity. All stocks in the Selection Universe are ranked in descending order based on their local U.S. listing monthly median daily value traded (MDVT) ² over the prior six-month period prior to the rebalancing reference date.

Constituent Selection	
Current	<ul style="list-style-type: none"> After rankings for Marketability Factor and VWAP FMC have been assigned to all stocks in the Selection Universe, a joint rating is calculated for each stock by adding up the two rankings. The 20 stocks with the lowest joint ratings are selected and form the index. In cases where two or more stocks have the same joint rating, the stock with the highest VWAP FMC is selected.
Proposed 10% Buffer rule Option I	<ul style="list-style-type: none"> After rankings for six-month MDVT and VWAP FMC have been assigned to all stocks in the Selection Universe, a joint rating is calculated for each stock by adding up the two rankings. The 18 companies with the lowest joint ratings are selected for the index, regardless of whether they are current constituents or not. Current constituents ranked 19-22 are selected top-down until the constituent count reaches 20. If the number of selected companies is still less than 20, non-constituents are selected top-down until the target constituent count is reached. In cases where two or more stocks have the same joint rating, the stock with the highest VWAP FMC is selected.
Proposed 25% Buffer rule Option II	<ul style="list-style-type: none"> After rankings for each of six-month MDVT and VWAP FMC have been assigned to all stocks in the Selection Universe, a joint rating is calculated for each stock by adding up the two rankings. The 15 companies with the lowest joint ratings are selected for the index, regardless of whether they are current constituents or not. Current constituents ranked 16-25 are selected top-down until the constituent count reaches 20. If the number of selected companies is still less than 20, non-constituents are selected top-down until the target constituent count is reached. In cases where two or more stocks have the same joint rating, the stock with the highest VWAP FMC is selected.

¹ Global Marketability Scores are calculated with the stock trading on the BMV. For more information on Marketability Scores, please refer to the BMV Marketability Index Methodology available at www.bmv.com.mx/docs-pub/INDICES/CTEN_INOT/BMV_MARKETABILITY_INDEX_METHODODOLOGY.PDF

² Local monthly median daily value traded (MDVT) is calculated with the stock trading of the local U.S. listing, i.e., using global liquidity.

IMPACT ANALYSIS

Using data from the previous rebalancings, the tables below show the number of proposed adds and drops, index turnover and six-month MDVT and VWAP FMC rankings that would have occurred had the proposed changes been in effect.

October 31st, 2022

Proposed Change	Buffer	Adds	Drops	Turnover
1. 6M MDVT Liquidity for BMV Stocks without buffer rules	NO	4	4	15.25%
2. 6M MDVT Liquidity for BMV Stocks with 10% buffer rule – Option I	Ranking 19-22	3	3	12.54%
3. 6M MDVT Liquidity for BMV Stocks with 25% buffer rule – Option II	Ranking 16-25	2	2	9.29%

Company	6M MDVT (USD)	MDVT Ranking	VWAP FMC	VWAP FMC Ranking	Joint Rating	Final Rank	Action
BeiGene Ltd. ADR	5,544.59	16	10,236,703,571	11	27	11	Add
New Oriental Education & Technology	10,417.06	10	3,188,453,382	18	28	12	Add
China Petroleum & Chemical Corp	1,232.80	25	11,927,166,559	9	34	16	Add
China Life Insurance Co Ltd ADR	604.90	28	11,042,906,017	10	38	20	Add
Zai Lab Limited	2,908.74	20	2,786,434,151	19	39	22	Drop
TAL Education Group	4,332.46	18	2,328,939,049	22	40	23	Drop
Hello Group Inc ADR	1,429.56	24	693,138,336	30	54	28	Drop
Bit Digital, Inc	406.63	32	117,481,746	35	67	35	Drop

September 2022 Rebalancing

Proposed Change	Buffer	Adds	Drops	Turnover
1. 6M MDVT Liquidity for BMV Stocks without buffer rules	NO	2	2	4.67%
2. 6M MDVT Liquidity for BMV Stocks with 10% buffer rule – Option I	ranking 19-22	2	2	4.67%
3. 6M MDVT Liquidity for BMV Stocks with 25% buffer rule – Option II	ranking 16-25	2	2	4.67%

Company	6M MDVT (USD)	MDVT Ranking	VWAP FMC	VWAP FMC Ranking	Joint Rating	Final rank	Action
BeiGene Ltd. ADR	12,657.31	12	8,924,157,793	10	22	9	Add
H World Group Limited ADR	7,797.96	20	4,943,802,455	12	32	15	Add
Bit Digital, Inc	12,975.03	11	207,646,084	31	42	22	Drop
Hello Group Inc ADR	3,837.64	25	808,018,995	26	51	26	Drop

March 2022 Rebalancing

Proposed Change	Buffer	Adds	Drops	Turnover
1. 6M MDVT Liquidity for BMV Stocks without buffer rules	NO	3	3	6.34%
2. 6M MDVT Liquidity for BMV Stocks with 10% buffer rule – Option I	ranking 19-22	3	3	6.34%
3. 6M MDVT Liquidity for BMV Stocks with 25% buffer rule – Option II	ranking 16-25	3	3	6.34%

CONSULTATION

Company	6M MDVT (USD)	MDVT Ranking	VWAP FMC	VWAP FMC Ranking	Joint Rating	Final Rank	Action
Tencent Music Entertainment Group	14,476.43	10	4,436,740,060	15	25	10	Add
Didi Global Inc.	21,876.75	7	2,212,154,729	21	28	12	Add
Daqo New Energy Corp.	12,351.79	13	3,265,885,428	17	30	14	Add
Tal Education Group	9,749.38	16	1,827,541,839	24	40	22	Drop
Jinkosolar Holding Company Limited	8,653.72	18	1,962,397,352	22	40	23	Drop
Hello Group Inc.	3,837.64	20	1,869,239,849	23	43	24	Drop

September 2021 Rebalancing

Proposed Change	Buffer	Adds	Drops	Turnover
1. 6M MDVT Liquidity for BMV Stocks without buffer rules	NO	5	5	12.47%
2. 6M MDVT Liquidity for BMV Stocks with 10% buffer rule – Option I	ranking 19-22	5	5	12.47%
3. 6M MDVT Liquidity for BMV Stocks with 25% buffer rule – Option II	ranking 16-25	3	3	10.07%

Company	6M MDVT (USD)	MDVT Ranking	VWAP FMC	VWAP FMC Ranking	Joint Rating	Final Rank	Action
Tencent Music Entertainment Group	14476.427	9	11,329,870,756	15	24	10	Add
Beigene, Ltd.	12,657.31	12	12,765,847,390	14	26	11	Add
GDS Holdings limited	9,739.27	17	8,783,742,572	19	36	15	Add
Zai Lab Limited	7,336.43	22	11,247,583,883	16	38	17	Add
Daqo New Energy corp.	12,351.79	13	4,517,616,199	25	38	18	Add
Weibo Corporation	8,542.46	19	4,678,840,184	24	43	21	Drop
China Petroleum & Chemical Corporation	832.47	34	13,325,204,076	12	46	22	Drop
China Life Insurance Company Limited	780.24	35	14,782,540,596	11	46	23	Drop
Jinkosolar Holding Company Limited	8,653.72	18	1,762,868,991	32	50	27	Drop
Momo Inc.	3,837.64	25	2,428,205,073	29	54	30	Drop

March 2021 Rebalancing

Proposed Change	Buffer	Adds	Drops	Turnover
1. 6M MDVT Liquidity for BMV Stocks without buffer rules	NO	4	4	22.23%
2. 6M MDVT Liquidity for BMV Stocks with 10% buffer rule – Option I	ranking 19-22	4	4	22.23%
3. 6M MDVT Liquidity for BMV Stocks with 25% buffer rule – Option II	ranking 16-25	3	3	20.79%

Company	6M MDVT (USD)	MDVT Ranking	VWAP FMC	VWAP FMC Ranking	Joint Rating	Final Rank	Action
Yum China Holdings, inc.	17,204.73	8	23,208,007,527.93	9	17	6	Add
Bilibili Inc.	47,298.82	4	10,753,303,243.56	14	18	7	Add
Beigene, Ltd.	12,657.31	10	10,529,850,287.75	15	25	12	Add
Zai Lab Limited	7,336.43	19	7,277,612,508.24	18	37	16	Add
Autohome Inc.	4,550.51	20	5,681,346,283.93	21	41	23	Drop
Petrochina Company Limited	1,144.26	24	6,662,384,671.87	19	43	24	Drop
Momo Inc.	3,837.64	21	2,586,057,212.29	23	44	25	Drop
Baozun Inc.	2,617.04	22	2,066,128,192.04	26	48	26	Drop

CONSULTATION

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described changes, if adopted, in conjunction with the upcoming rebalancing, which takes effect prior to the market open on **Monday, March 20, 2023**. If adopted, the changes will first be visible to clients in pro-forma files beginning on **Friday, March 10, 2023**.

QUESTIONS

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

- 1. Do you agree with the proposal to replace the Marketability Factor with the six-month MDVT liquidity criteria?**
- 2. Do you agree with the proposal to add a buffer rule for current constituents?**
 - **Yes, change to Option I (10%, top 18)**
 - **Yes, change to Option II (25%, top 15)**
 - **Yes, change to a different scenario (please specify in Question 4 below)**
 - **No, keep the current methodology**
- 3. Should the proposed changes be adopted, do you agree with the proposed implementation date?**
- 4. 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 **February 6, 2023**. 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 index_services@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.spglobal.com/spdji.

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.

CONSULTATION

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.spglobal.com/spdji.

FOR MORE INFORMATION:

S&P Dow Jones Indices
index_services@spglobal.com