

S&P Access China Enterprises Enhanced Value Index Consultation Results

BEIJING, DECEMBER 19, 2019: S&P Dow Jones Indices (“S&P DJI”) has conducted a consultation with members of the investment community on potential changes to the S&P Access China Enterprises Enhanced Value Index.

In an effort to enhance the value factor for purpose of index stability, S&P DJI will implement the methodology changes described below and on the following page.

Change	Methodology	
	Previous	Updated
Earnings-per-Share Screen	--	Stocks must have a non-negative trailing 12-month earnings-per-share.
Outlier Handling and Winsorization	Outlier fundamental ratios are winsorized to ensure that the average values used to calculate the overall value score are less distorted by extreme values. For a given fundamental variable, the values for all securities are first ranked in ascending order. Then, for securities that lie above the 97.5 percentile rank or below the 2.5 percentile rank, their value is set as equal to the value of the 97.5 percentile ranked or the 2.5 percentile ranked security, whichever is applicable.	--

Change	Methodology	
	Previous	Updated
Value Score Computation	<p>Z-score Computation. Computing a z-score is a widely adopted method of standardizing a variable in order to combine it with other variables that may have a different scale or unit of measurement. After winsorizing all the three fundamental ratios, the z-score for each of the three ratios for each security is calculated using the mean and standard deviation of the relevant variable within each of the index universes.</p> <p>Average Z-score Computation. For each security, the average z-score is computed by taking a simple average of the three scores. Where there is a missing value, the average z-score is computed by taking a simple average of the remaining two scores. A security must have at least one z-score for it to be included in the index.</p> <p>Outlier Handling and Winsorization. Outlier average z-scores are winsorized to ensure that the average values used to calculate the overall value score are less distorted by extreme values. To do this, for a given average z-score, the values for all securities are first ranked in ascending order. Then, for securities that lie above 4 or below -4, their value is set as equal to 4 or -4, whichever is applicable.</p> <p>Value Score Computation. Using the winsorized average z-scores for the three value factors, a value score is computed for each of the securities. For a given security, if its winsorized average z-score is above 0, then its value score will be the addition of 1 and the average z-score. On the other hand, if its winsorized average score is below 0, then its value score will be the result of the reciprocal of 1 subtracted by its average z-score.</p> <p>If average Z > 0, Value Score = 1 + Z If average Z < 0, Value Score = (1 / (1 - Z)) If average Z = 0, Value Score = 1</p>	<p>For each of the three fundamental ratios (Book Value-to-Price, Earnings-to-Price, and Sales-to-Price, percentile scores are calculated as follows:</p> $P_i = \frac{R_i}{N + 1}$ <p>where:</p> <p>P_i = Constituent percentile score R_i = Constituent fractional rank N = Number of constituents.</p> <p><i>Note: Higher ranking constituents (R_i) are the constituents with higher underlying values.</i></p> <p>Each of the three percentile scores are then transformed into z-scores using the inverse of the normal cumulative distribution function with a mean of zero and a standard deviation of 1.</p> <p>The average z-score is computed by taking a simple average of the three underlying z-scores which have been derived from the percentile scores. Where there is a missing value, the average z-score is computed by taking a simple average of the remaining two scores. A security must have at least one z-score for it to be included in the index.</p> <p>Finally, the value score is calculated as follows:</p> <p>If average Z > 0, Value Score = 1 + Z If average Z < 0, Value Score = (1 / (1 - Z)) If average Z = 0, Value Score = 1</p>

These changes will become effective prior to the market open on Monday, January 20, 2020, in conjunction with the January rebalancing.

Please note the Methodology on S&P DJI's website is being updated to reflect this change.

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

INDEX ANNOUNCEMENT

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