

# **S&P/BNY Mellon New Frontier Index** *Methodology*

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# Introduction

## Index Objective

The S&P/BNY Mellon New Frontier Index measures the performance of Depositary Receipts and local listings domiciled in Frontier Markets and meet specific eligibility requirements as detailed in *Eligibility Criteria and Index Construction*.

## 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>

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each 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.

# Eligibility Criteria and Index Construction

## Eligibility Factors

- **Domicile.** Companies must be domiciled in Argentina, Bahrain, Bangladesh, Bulgaria, Croatia, Cyprus, Jordan, Kazakhstan, Kenya, Latvia, Lithuania, Morocco, Nigeria, Oman, Panama, Romania, Sri Lanka, Tunisia, Vietnam, and Zambia.
- **Security Type.** Eligible securities are as follows:
  - American Depositary Receipts (ADRs) listed on a U.S. exchange where the underlying company has a listing in the S&P Frontier BMI.
  - Global Depositary Receipts (GDRs) listed on the London Stock Exchange where the underlying company has a listing in the S&P Frontier BMI.
  - Local share classes listed on exchanges in countries classified as Frontier Markets. For companies domiciled in Argentina, Bahrain, Bangladesh, Jordan, Kazakhstan, Panama, Sri Lanka, and Tunisia only developed and emerging market listings are eligible. Local listings in those domiciles are not eligible for selection. For all other countries in eligible domiciles, the eligible listing is the listing contained in the S&P Frontier BMI.
- **Market Capitalization.** As of each rebalancing reference date, companies must have a float-adjusted market capitalization of at least US\$ 250 million.
- **Liquidity.** As of each rebalancing reference date, companies must have a three-month average daily value traded (ADVT) of at least US\$ 500,000.

## Constituent Selection

All stocks meeting the eligibility criteria are selected for index inclusion.

## Constituent Weighting

For a given rebalancing date, all the securities eligible for inclusion are weighted by their float market capitalization subject to security and country constraints. This is done using an optimization procedure that chooses final weights in such a way as to minimize the sum of the squared differences of capped weight and uncapped weight, divided by uncapped weight for each stock, subject to the following constraints: the maximum weight of each country is 10%, with the exceptions of Argentina and Nigeria, which each have a maximum weight of 15%, the maximum weight of each security is 10%, and the sum of the companies with weights greater than 4.5% cannot exceed 45% of the total index weight.

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

## Multiple Share Classes and Dual Listed Companies

All publicly listed multiple share class lines are eligible for index inclusion, subject to meeting the eligibility criteria. For more information regarding the treatment of multiple share classes, please refer to Approach A within the Multiple Share Classes section of the S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

## **Index Calculations**

The index is calculated by means of the divisor methodology used in all S&P Dow Jones Indices equity indices.

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

# Index Maintenance

## Rebalancing

The index is rebalanced quarterly, after the close on the third Friday of January, April, July, and October. The rebalancing reference date is the third Friday of the month prior to the rebalancing month. Index shares are calculated using closing prices on the Wednesday prior to the second Friday of the rebalancing month as the reference price.

**Additions.** Stocks are generally added to the index only at quarterly rebalancings, except in the following scenarios:

- Mergers - A new eligible security that is acquiring another index constituent and establishing an ADR program the day after the target ADR stops trading, will ordinarily be included in the index immediately as a stock replacement.
- Spinoffs - If an existing constituent spins off a part of its business, issues new equity to the existing shareholders, and establishes a new Depositary Receipt program for the new company, then the new company will be eligible for immediate inclusion in the index.

**Deletions.** Deletions can occur if the stock is delisted due to acquisitions, mergers, spin-offs, bankruptcies or cancellation of the ADR program. A company may also be deleted from the index due to a long-term suspension of its stock. In addition, constituents removed from the S&P Frontier BMI index are also removed from the S&P/BNY Mellon New Frontier Index simultaneously, with the exception of country reclassification changes. In the event of a country reclassification change, the country in question will be assessed at the next rebalancing period.

*For more information on the treatment of Stock Suspensions, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

## Corporate Actions

For information on Corporate Actions, please refer to the *Non-Market Capitalization Weighted Indices* section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

## Currency of Calculation and Additional Index Return Series

The index is calculated in U.S. dollars.

WM/Reuters foreign exchange rates are taken daily at 4:00 PM London Time and used in the calculation of the index. These mid-market fixings are calculated by The WM Company based on Reuters data and appear on Reuters pages WMRA.

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 [S&P DJI's All Indices by Methodology Report](#).

*For information on the calculation of different types of indices, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.*

### Base Dates 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/BNY Mellon New Frontier Index	5/30/2008	12/30/2005	4/12/2013	1153.99

# 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 classification of regular versus special cash dividends as well as the tax rates used in the calculation of net return, please refer to S&P Dow Jones Indices’ Equity Indices Policies & Practices Methodology.*

*For more information on the calculation of return types, please refer to S&P Dow Jones Indices’ Index Mathematics Methodology.*

# Index Governance

## **Index Committee**

The index is maintained by an Index Committee. The Index Committee meets regularly. At each meeting, the Index Committee may review pending corporate actions that may affect index constituents, statistics comparing the composition of the index to the market, companies that are being considered as candidates for addition to the index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

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 Methodology.*

# 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 Events 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. All methodology changes are posted to the S&P Dow Jones Web site and announced via email to all clients. The latest available version is always posted on the Web site at [www.spdji.com](http://www.spdji.com).

*For more information, please refer to the Announcements section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

## **Pro-forma Files**

In addition to the corporate events file (.SDE), S&P Dow Jones Indices provides constituent pro-forma files each time the indices rebalance. The pro-forma file is typically provided 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 seven business days prior to the rebalancing, the actual weight of each stock at the rebalancing will differ from these weights due to market movements.

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

## **Holiday Schedule**

The index is calculated daily, throughout the calendar year. The only days the index is not calculated or files are not distributed are on days when all exchanges where the index's constituents are listed are officially closed.

*A complete holiday schedule for the year is available on S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.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.

*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.spdji.com](http://www.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 [S&P DJI's All Indices by Methodology Report](#) for a complete list of indices covered by this document.

	Return Type	Bloomberg	Reuters
S&P/BNY Mellon New Frontier Index (USD)	Price Return Total Return	BKNFR BKNFRR	.BKNFR .BKNFRR

## Index Data

Daily constituent and index level data are available via subscription.

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

## Web site

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

# Appendix

## Methodology Changes

Methodology changes since December 21, 2007 are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Rebalancing Reference Date	10/06/2019	The rebalancing reference date is the last trading date of December, March, June, and September, respectively.	The rebalancing reference date is the third Friday of the month prior to the rebalancing month.
Eligible Countries	09/22/2019	Constituents from Kuwait were eligible.	Following Kuwait's reclassification to Emerging Market status, constituents from Kuwait are not eligible.
Ongoing Event Treatment	03/29/2019	Outside of underlying universe rebalancing Share and IWF changes, corporate actions were treated in line with the "Market Capitalization Indices" section in S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.	Corporate actions are treated in line with the Non-Market Capitalization Indices section in S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.
Eligible Security Types	04/17/2015	The following security types were eligible for index inclusion: Only companies with Depository Receipts	The following security types are eligible for index inclusion: American Depository Receipts (ADRs) listed on a U.S. exchange, Global Depository Receipts (GDRs) listed on the London Stock Exchange, and local share classes listed on exchanges in countries classified as Frontier Markets.
Eligible Countries	04/17/2015	Constituents from the following countries were eligible: Chile, Colombia, Czech Republic, Ecuador, Estonia, Egypt, Georgia, Ghana, Jamaica, Lebanon, Malawi, Mauritius, Morocco, Papua New Guinea, Peru, Poland, Qatar, Slovak Republic, Slovenia, Trinidad and Tobago, UAE, and Zimbabwe.	Constituents from the following countries are not eligible: Chile, Colombia, Czech Republic, Ecuador, Estonia, Egypt, Georgia, Ghana, Jamaica, Lebanon, Malawi, Mauritius, Morocco, Papua New Guinea, Peru, Poland, Qatar, Slovak Republic, Slovenia, Trinidad and Tobago, UAE, and Zimbabwe.
Constituent Weightings	12/21/2007	Constituents were weighted by total market capitalization, subject to a 10% single stock cap.	Constituents are weighted by float-adjusted market capitalization, subject to a 10% single stock cap.

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