

# MARKET CONSULTATION

## Methodology Change of the Solactive Emerging Markets Consumer Technology Index

Solactive has decided to conduct a Market Consultation with regard to a proposal to change the methodology of the Solactive Emerging Markets Consumer Technology Index. All stakeholders and interested third parties are invited to provide input and feedback to the proposed change. Solactive welcomes all contributions and thoroughly assesses all responses received. The overarching aim is to maintain the integrity and continued comparability of the index while mitigating certain effects of the selection process perceived as negative.

If you would like to share your thoughts with Solactive, please use this consultation form and provide us with your personal details and those of your organization.

Name	
Function	
Organization	
Email	
Phone	
Confidentiality (Y/N)	

### Consultative question

The Solactive Emerging Markets Consumer Technology Index tracks the performance of companies in the consumer technology industry sector located in emerging markets. For the purpose of this index, “emerging markets” are defined as consisting of the following countries: Argentina, Brazil, Chile, Colombia, Mexico, Peru, Puerto Rico, Cyprus, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa, Turkey, United Arab Emirates, China, India, Indonesia, South Korea, Malaysia, The Philippines, Taiwan and Thailand.

However, while it has been the intention to reflect the development of this particular industry throughout all emerging markets, it has become apparent that Chinese companies make up the majority of the index’ constituents. In the current composition, 59% percent of the weight is assigned to Chinese companies, leading to the assumption that they overrepresented in the index.

To improve the representativeness of the index as benchmark for all emerging markets, Solactive therefore suggests modifying the selection and weighting criteria by adding a cap of 40% to constituents from one country. While this

would lead to a better inclusion of consumer technology companies from other markets, the number and weight of Chinese constituents would naturally decrease.

In line with the Methodology Policy Solactive's Oversight Committee has identified this methodology change to be a *material change* as the change in the index' composition is significant. Nevertheless, taking into account the overall aim of the index, it considered the change as suitable to improve the index' representativeness without compromising its integrity and comparability over time.

Solactive therefore intends to add the following paragraph under section 1.5:

*“A maximum weight of 40% per Country of Domicile is applicable. If after the procedure above, the 40% cap is breached, the following steps will be taken: Stocks from the respective Country of Domicile which have the smallest Market Capitalization values are removed until country weight is below or equal to 40%. To reach 50 companies in the index once again, companies from the eligible universe (excluding respective Country of Domicile) are selected based on highest Market Capitalization.”*

Additionally, to cater for the restriction above, the minimum market capitalization for constituents will decrease from 1 billion USD to 500 million USD. Point to of section 2.1 will therefore be replaced by the following:

*“2. On the selection day, stock should have a minimum Market Cap of 500 million USD”*

Solactive AG is inviting all stakeholders in the Solactive Emerging Markets Consumer Technology Index to evaluate this proposed change to the methodology, and welcomes any feedback on how this may affect and/or improve their use of the index. Solactive furthermore encourages stakeholders to suggest alternative changes in order to ensure the continued tradability of the index.

## Consultation Procedure

Stakeholders and third parties, who are interested in participating in this Market Consultation, are invited to respond to until *Friday 18 May 2017 cob*.

Please send your feedback via email to [info@solactive.com](mailto:info@solactive.com), specifying “Market Consultation” as the subject of the email, or

via postal mail to:       **Solactive AG**  
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Should you have any additional questions regarding the Consultative Question in particular, please do not hesitate to contact us via above email address.