

# MARKET CONSULTATION SOLACTIVE MLP INFRASTRUCTURE INDEX

19 August 2019



## Content of the Market Consultation

Solactive AG has decided to conduct a Market Consultation with regard to changing its Index Methodology of the following Indices (the 'Indices'):

NAME	RIC	ISIN
Solactive MLP Infrastructure Index	.MLPAMID	DE000SLA4HN3
Solactive MLP Infrastructure Index (Price)	.MLPAMIDP	DE000SLA4HM5

## Rationale for Market Consultation

The rationale behind the proposed methodology change is to enhance the universe selection pool by Master Limited Partnerships which are taxed as corporates in case the initial universe does not lead to 20 members on the selection date. This change will ensure the medium-term stability of the index.

## Changes to the Index Guideline

The following definitions will be updated with the new wording as follows:

### Section 1.5 Weighting:

#### ○ Old Wording:

On each Adjustment Day each Index Component of the Solactive MLP Infrastructure Index is weighted proportionally according to its Free Float Market Capitalization.

The Percentage Weight of the Index Component, with the highest Free Float Market Capitalization (rank number 1) is capped at 10%, the Index Component with rank number 2 at 9%. This mechanism proceeds until the Index Component with rank number 6 is capped at 5% and all Index Components with a rank number above 6 are capped at 4,75%. The excess weight is allocated proportionally to all Index Components whose Percentage Weight is not capped.

The calculated Number of Shares as of the Selection Day are used and will be implemented as of the close on the Adjustment Day. To match the correct index level on the Adjustment Day, the Number of Shares will be multiplied with a constant Correction Factor, i.e. the Number of Shares will be up scaled or down scaled.

The Number of Shares as of the Selection Date are adjusted for any relevant corporate actions between Selection Day and Adjustment Day. This only relates to corporate actions



that have a direct impact on the price and shares (i.e. stock splits, stock dividends, rights issues).

For clarification: The calculation of the weighting is based on the close market data as of the Selection Day.

The capping methodology may be amended by the Committee from time to time to ensure appropriate index representation and index compliance with financial product regulations in the United States

○ *New Wording:*

*On each Adjustment Day each Index Component of the Solactive MLP Infrastructure Index is weighted proportionally according to its Free Float Market Capitalization.*

*The Percentage Weight of the Index Component, taxed as MLP, with the highest Free Float Market Capitalization (rank number 1) is capped at 10%, the Index Component with rank number 2 at 9%. This mechanism proceeds until the Index Component with rank number 6 is capped at 5% and all Index Components with a rank number above 6 are capped at 4,75%. The excess weight is allocated proportionally to all Index Components whose Percentage Weight is not capped.*

*The Percentage Weight of the Index Component, taxed as a corporation, is capped at 2%. The excess weight is allocated proportionally to all Index Components whose Percentage Weight is not capped.*

*The calculated Number of Shares as of the Selection Day are used and will be implemented as of the close on the Adjustment Day. To match the correct index level on the Adjustment Day, the Number of Shares will be multiplied with a constant Correction Factor, i.e. the Number of Shares will be up scaled or down scaled.*

*The Number of Shares as of the Selection Date are adjusted for any relevant corporate actions between Selection Day and Adjustment Day. This only relates to corporate actions that have a direct impact on the price and shares (i.e. stock splits, stock dividends, rights issues).*

*For clarification: The calculation of the weighting is based on the close market data as of the Selection Day.*

*The capping methodology may be amended by the Committee from time to time to ensure appropriate index representation and index compliance with financial product regulations in the United States.*



- Section 2.1 Selection of the Index Components:

- Old wording:

The initial composition of the Index as well as any ongoing adjustment is based on the following rules:

On the Selection Days, Solactive AG provides the Selection Pool.

All infrastructure MLPs which fulfil the index criteria as outlined in chapter 4, will be added to the index. If a company, which is not a current Index Component, has publicly announced a merger agreement to be acquired as of the Selection Day, it will not be considered eligible for the Selection Pool.

The required number of Index Components is 20 and the maximum number of Index Components is 30.

If there are less than 20 companies that fulfil the criteria outlined in chapter 4, the following criteria will be relaxed in the following order until the required number of 20 Index Components is reached:

1. Minimum Free Float Market Capitalization is relaxed up to 1,000 million USD
2. Minimum Average daily trading volume in the last three months is relaxed up to 2 million USD
3. Maintained or grown its distribution quarter-over-quarter for at least one of the trailing three quarters.

To clarify, the criteria is only relaxed step-by-step until there are 20 constituents to pass the criteria.

If there are more than 30 companies that fulfil the criteria defined in section 4 the 30 companies with the highest rank are chosen.

The companies in the Selection Pool are ranked according to their Free Float Market Capitalization. The company with the largest Free Float Market Capitalization is assigned rank number 1, the company with the second-largest Free Float Market Capitalization rank number 2 etc. The companies with the highest ranks are then chosen as Index Components and the new index composition determined this way is valid starting immediately following the Adjustment Day. For clarification, rank number 1 is higher than rank number 2.

- *New wording:*

*The initial composition of the Index as well as any ongoing adjustment is based on the following rules:*



*On the Selection Days, Solactive AG provides the Selection Pool.*

*All infrastructure MLPs which fulfil the index criteria as outlined in chapter 4 and which are taxed as MLP, will be added to the index. If a company, which is not a current Index Component, has publicly announced a merger agreement to be acquired as of the Selection Day, it will not be considered eligible for the Selection Pool.*

*The required number of Index Components is 20 and the maximum number of Index Components is 30.*

*If there are less than 20 companies that fulfil the criteria outlined in chapter 4, the following criteria will be relaxed in the following order until the required number of 20 Index Components is reached:*

- 1. Minimum Free Float Market Capitalization is relaxed up to 1,000 million USD*
- 2. Minimum Average daily trading volume in the last three months is relaxed up to 2 million USD*
- 3. Maintained or grown its distribution quarter-over-quarter for at least one of the trailing three quarters.*

*To clarify, the criteria is only relaxed step-by-step until there are 20 constituents to pass the criteria.*

*The companies in the Selection Pool are ranked according to their Free Float Market Capitalization. The company with the largest Free Float Market Capitalization is assigned rank number 1, the company with the second-largest Free Float Market Capitalization rank number 2 etc. The companies with the highest ranks are then chosen as Index Components and the new index composition determined this way is valid starting immediately following the Adjustment Day. For clarification, rank number 1 is higher than rank number 2.*

*If this procedure would result in a number of constituents of less than 20, all infrastructure MLPs which are taxed as a corporation and which fulfil the index criteria as outlined in chapter 4 and at least the relaxed criteria above, will be added to the index until the required number of 20 index Components is reached.*

*If there are still less than 20 constituents that pass the criteria, the index will contain less than 20 constituents.*

*If there are more than 30 companies that fulfil the criteria defined in section 4 the 30 companies with the highest rank are chosen.*



- Section 2.3 Extraordinary adjustment:

- Old Wording:

If a company included in the Solactive MLP Infrastructure Index is removed from the Index between two Adjustment Days due to an Extraordinary Event, if necessary, the Committee shall designate a successor, if the index would otherwise consist of less than 20 companies

- *New Wording:*

*If a company included in the Solactive MLP Infrastructure Index is removed from the Index between two Adjustment Days due to an Extraordinary Event, if necessary, a successor will be added to the index, if the index would otherwise consist of less than 20 companies.*

- Section 4 "Selection Pool" (b):

- Old Wording:

Structured as Master Limited Partnership

- *New Wording:*

*Structured as Master Limited Partnership, taxed as MLP, or a Master Limited Partnership which is taxed as a corporation*

### Timing for Implementation

The change mentioned is currently planned to become effective on 15/10/ 2019.

### Feedback on the proposed changes

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)	



Solactive is inviting all stakeholders and interested third parties to evaluate the proposed changes to the Methodology for the Solactive MLP Infrastructure Index, Solactive MLP Infrastructure Index (Price) and welcomes any feedback on how this may affect and/or improve their use of Solactive indices.

### Consultation Procedure

Stakeholders and third parties who are interested in participating in this Market Consultation, are invited to respond until September 17, 2019.

Please send your feedback via email to [compliance@solactive.com](mailto:compliance@solactive.com), specifying "Market Consultation SOLACTIVE MLP INFRASTRUCTURE INDEX / (PRICE) | METHODOLOGY CHANGE" as the subject of the email, or

via postal mail to:      Solactive AG  
                                 Platz der Einheit 1  
                                 60327 Frankfurt am Main  
                                 Germany

Should you have any additional questions regarding the consultative question in particular, please do not hesitate to contact us via above email address.

# CONTACT

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