

# MARKET CONSULTATION- SOLACTIVE EMERGING MARKETS CONSUMER TECHNOLOGY INDEX

16 September 2020



## Content of the Market Consultation

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

NAME	RIC	ISIN
SOLACTIVE EMERGING MARKETS CONSUMER TECHNOLOGY INDEX GTR	.SOLEMCT	DE000SLA3017

## Rationale for Market Consultation

The Index aims to provide access to emerging market internet companies that provide similar services as Google, Facebook, PayPal, Amazon, etc. The Index aims to offer exposure to companies that stand to benefit from increasing domestic consumption by emerging markets' growing middle class and exposure to emerging market companies facilitating mobile E-commerce sales.

In order to ensure that the scope of the Index is correctly reflected and captures the latest developments around the investment theme, Solactive proposes the following four adjustments to the Index Guideline:

- In order to capture new industries and sub-industries that have been arisen recently, it is suggested to add the following sub-industries with respect to Factset RBICS: Food Delivery Services, Internet Pharmacies and Drug Retail as well as Media Download and Streaming Digital Content Sites. Further, it is proposed to add the following industry with respect to Factset RBICS: Catalog/Speciality Distribution. Apart from adding Factset RBICS, it is suggested to remove the sub-industry: Mixed International Telecommunications.
- To ensure a consistent framework for the classification of emerging markets, it is proposed to link country classification to the Solactive Country Classification Framework ([https://www.solactive.com/wp-content/uploads/2019/11/Solactive-Country-Classification-Framework-v1.1\\_2019.pdf](https://www.solactive.com/wp-content/uploads/2019/11/Solactive-Country-Classification-Framework-v1.1_2019.pdf)), which is regularly reviewed and updated.
- The Index aims to offer exposure to companies that stand to benefit from increasing domestic consumption by emerging markets growing middle class. Hence, in order to better reflect the actual consumption of the emerging markets population, it is suggested to adjust the selection criteria to include companies based on the "Country of Top Geographic Revenue" as oppose to "Country of Domicile".
- In addition, it is proposed to replace the current IPO Review Days with Ordinary Adjustment Days so that the index is adjusted quarterly instead of annually with quarterly IPO review days. Increasing the adjustment frequency is proposed to provide better control for large weight fluctuations that may occur due to market drifts.



## Proposed Changes to the Index Guideline

The following Methodology changes are proposed in the following point of the Index Guideline.

### Section 1.5 Weighting

#### Old Text:

On each Adjustment Day and IPO Adjustment Day, each Index Component of the Solactive Emerging Markets Consumer Technology Index (GTR) is ranked according to their Market Cap as of Selection Day or IPO Review Day. The companies are then divided into three groups and receive the following weights based on their ranks:

Rank	Weight
1 to 10	3.5%
11 to 30	2.5%
31 to 50	0.75%

If in any Adjustment Day or IPO Review Day, the number of components is below 50, weights are rescaled proportionally such that the sum of weights is 1.

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.

#### New Text:

On each Adjustment Day, each Index Component of the Solactive Emerging Markets Consumer Technology Index (GTR) is ranked according to their Market Cap as of Selection Day. The companies are then divided into three groups and receive the following weights based on their ranks:



Rank	Weight
1 to 10	3.5%
11 to 30	2.5%
31 to 50	0.75%

If on any Adjustment Day, the number of components is below 50, weights are rescaled proportionally such that the sum of weights is 1.

A maximum weight of 40% per Country of Top Geographic Revenue is applicable. If after the procedure above, the 40% cap is breached, the following steps will be taken: Stocks from the respective Country of Top Geographic Revenue 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 Top Geographic Revenue) are selected based on highest Market Capitalization.

## Section 2.2 Ordinary Adjustment

### Old Text:

The composition of the Index is adjusted annually. The composition of the Index is reviewed on the Selection Day and necessary changes are announced. In addition, the composition may also be adjusted for IPOs on a quarterly basis. In order to be eligible for the index, the IPO must fulfil the same criteria outlined in section 2.1, except for the minimum Market Cap threshold, which should be 5 billion USD.

In IPO Reviews, all spinoffs which have been added to the index since the last index adjustment will be removed. Furthermore, if the addition of new companies due to the IPO criteria leads to more than 50 Index Components, the lowest ranked companies based on Market Cap will be removed from the index until the total number of Index Components is 50.

The first quarterly adjustment will be made in September 2017, based on the Trading Prices of the Index Components on the IPO Review Day.

Solactive AG shall publish any changes made to the Index composition on the Selection Day and consequently with sufficient notice before the Adjustment Day.

### New Text:



[...]

The composition of the Index is adjusted quarterly. The composition of the Index is reviewed on the Selection Day and necessary changes are announced.

The first quarterly adjustment will be made in September 2017

Solactive AG shall publish any changes made to the Index composition on the Selection Day and consequently with sufficient notice before the Adjustment Day.

#### Section 4. Definitions

##### Old Text:

"Index Universe" in respect of a Selection Day are companies that fulfill the following criteria:

1. Headquarters in one 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, Thailand.
2. Only the primary listing of a stock is eligible. If the stock is primarily listed in one of the following exchanges, it is not eligible: Shanghai, Shenzhen, OTC exchanges.
3. Stocks are only eligible if classified according to one or more of the following RBICS categories:

Level	Number	Name
Industry	1010151015	Administrative Software and Services
Industry	5520151515	Business Intelligence Software
Industry	5520102010	Colocation and Data Center Services
Industry	5520153510	Communications Infrastructure Software
Industry	5520103510	Consumer Content Providers
Industry	5515153515	Customer Premises Network Security Equipment
Industry	5520151525	Customer Relationship Management Software
Industry	5520152510	Educational Software
Industry	5515301510	Electronic Components Distributors
Industry	3030101530	Electronic Transaction Processing/Clearinghouses



Industry	5520151530	Enterprise Resource Planning Software
Industry	1510101515	Gaming Industries
Industry	5515153520	General Carrier Edge and Access Equipment
Industry	5515152510	General Communications Equipment
Industry	5520152515	Handheld and Smart Phone Software
Industry	5520152015	Handheld/Smart Phone Games Software
Industry	5520101010	Information and News Content Providers and Sites
Industry	5520102510	Internet Support Services
Industry	6010101010	Mixed International Telecommunications Services
Industry	5520152525	Multi-Type Home and Office Software
Industry	5520153530	Network Infrastructure Software
Industry	5520152020	Online Game Websites and Software
Industry	5025101010	Other Educational Services
Industry	5520151540	Other Enterprise Management Software
Industry	1510103020	Travel Agencies
Industry	1515101520	Video Entertainment and Programming Providers
Industry	5520103515	Web-Related Content Providers
Subindustry	401010151015	Aerospace and Defense IT Services
Subindustry	101010101535	Online Marketing and Advertising Support Services

4. Stocks are also eligible if classified under FactSet "Industries":

Industry	3550	Internet Retail
Industry	3320	Internet Software/Services

[...]

#### New Text:

"Index Universe" in respect of a Selection Day are companies that fulfill the following criteria:

1. Country of Top Geographic Revenue must be in any of the emerging markets countries, classified according to the [Solactive Country Classification Framework](https://www.solactive.com/wp-content/uploads/2019/11/Solactive-Country-Classification-Framework-v1.1_2019.pdf). The complete classification framework can be found under the following [link](https://www.solactive.com/wp-content/uploads/2019/11/Solactive-Country-Classification-Framework-v1.1_2019.pdf) ([https://www.solactive.com/wp-content/uploads/2019/11/Solactive-Country-Classification-Framework-v1.1\\_2019.pdf](https://www.solactive.com/wp-content/uploads/2019/11/Solactive-Country-Classification-Framework-v1.1_2019.pdf)).



2. Only the primary listing of a stock is eligible. If the stock is primarily listed in one of the following exchanges, it is not eligible: Shanghai, Shenzhen, OTC exchanges.
3. Stocks are only eligible if classified according to one or more of the following RBICS categories:

Level	Number	Name
Industry	1010151015	Administrative Software and Services
Industry	5520151515	Business Intelligence Software
Industry	5520102010	Colocation and Data Center Services
Industry	5520153510	Communications Infrastructure Software
Industry	5520103510	Consumer Content Providers
Industry	5515153515	Customer Premises Network Security Equipment
Industry	5520151525	Customer Relationship Management Software
Industry	5520152510	Educational Software
Industry	5515301510	Electronic Components Distributors
Industry	3030101530	Electronic Transaction Processing/Clearinghouses
Industry	5520151530	Enterprise Resource Planning Software
Industry	1510102020	Food Delivery Services
Industry	1510101515	Gaming Industries
Industry	5515153520	General Carrier Edge and Access Equipment
Industry	5515152510	General Communications Equipment
Industry	5520152515	Handheld and Smart Phone Software
Industry	5520152015	Handheld/Smart Phone Games Software
Industry	5520101010	Information and News Content Providers and Sites
Industry	5520102510	Internet Support Services
Industry	5010201515	Internet Pharmacies and Drug Retail
Industry	5520152525	Multi-Type Home and Office Software
Industry	5520153530	Network Infrastructure Software
Industry	5520152020	Online Game Websites and Software
Industry	5025101010	Other Educational Services
Industry	5520151540	Other Enterprise Management Software
Industry	1510103020	Travel Agencies
Industry	1515101520	Video Entertainment and Programming Providers
Industry	5520103515	Web-Related Content Providers
Subindustry	401010151015	Aerospace and Defense IT Services
Subindustry	101010101535	Online Marketing and Advertising Support Services
Subindustry	552010000000	Media Download and Streaming Digital Content Sites

4. Stocks are also eligible if classified under FactSet "Industries":



Industry	3550	Internet Retail
Industry	3320	Internet Software/Services
Industry	3545	Catalog/Specialty Distribution

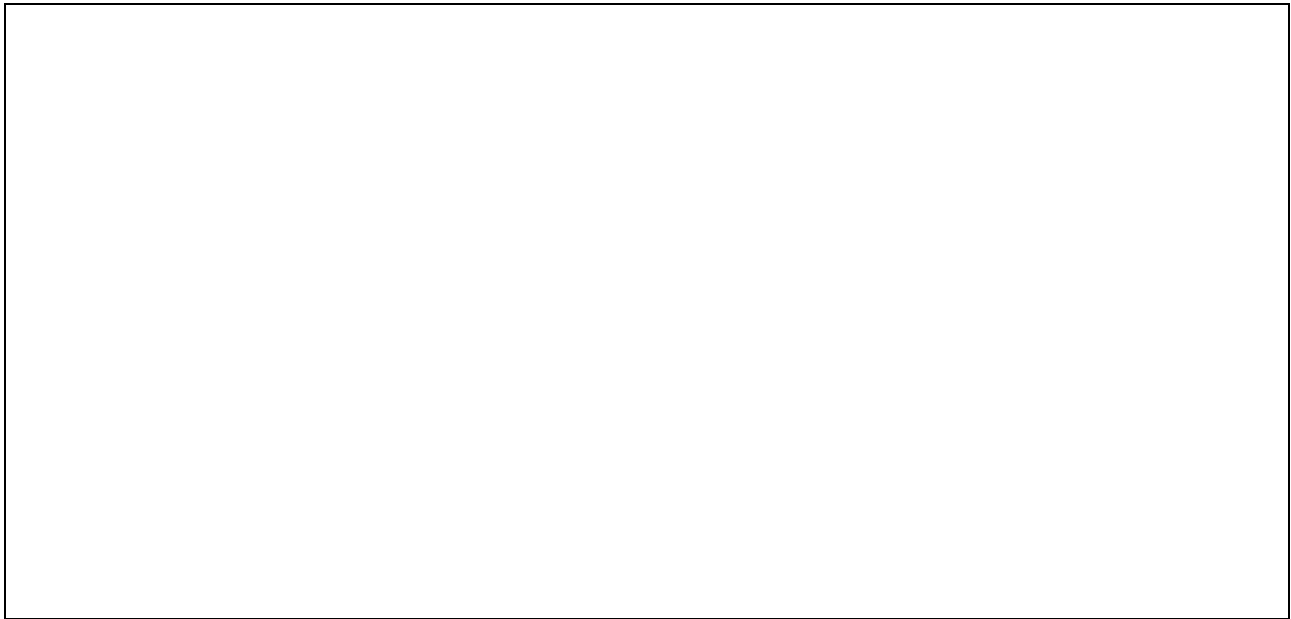
Feedback on the proposed changes

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 EMERGING MARKETS CONSUMER TECHNOLOGY INDEX 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 29<sup>th</sup>, 2020 (cob).

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on October 13<sup>th</sup>, 2020.

Please send your feedback via email to [compliance@solactive.com](mailto:compliance@solactive.com), specifying "Market Consultation SOLACTIVE EMERGING MARKETS CONSUMER TECHNOLOGY INDEX" 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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