

Market Consultation- Solactive Global SuperDividend™ REIT (NET) Index

19 March 2021

Content of the Market Consultation

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

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| **NAME** | **RIC** | **ISIN** |
| Solactive Global SuperDividend™ REIT (Net) Index | .SRETN | DE000SL0ALS3 |

Rationale for Market Consultation

The Affected Indices tracks the price movements in shares of international companies with a high dividend yield. However, the current Index Methodology of Affected Indices is inadequate with regards to the quarterly review process of dividend cuts and therefore lacks in the appropriate reflection of the index objective.

In order to align better with the index objective of the Affected Indices, the following changes are proposed.

Proposed Changes to the Index Guideline

The following Methodology Changes are proposed in the following points of the Index Guideline (ordered in accordance with the numbering of the affected sections):

1. **Section 2.1: Index Universe Requirements**

From (old version):

[…]

(a) Listing on a regulated stock exchange in the form of shares tradable for foreign investors without restrictions.

[…]

To (new version):

[…]

(a) Listing on a regulated stock exchange in the form of shares tradable for foreign investors without restrictions in the Developed Countries or Emerging Countries as determined by the Solactive Country Classification Framework, excluding exchanges in India, China and Argentina.

The framework and the country lists are available on the Solactive website: <https://www.solactive.com/documents/solactive-country-classification/>.

[…]

1. **Section: 2.2 Selection of the Index Components**

From (old version):

Based on the INDEX UNIVERSE, the initial composition of the INDEX as well as any selection for an ordinary rebalance is determined on the SELECTION DAY in accordance with the following rules (the “**INDEX COMPONENT REQUIREMENTS**“):

To determine the initial composition, the companies in the Selection Pool are ranked in descending order according to their Dividend Yield. The 60 companies with the largest Dividend Yield advance to the Volatility Filter. Out of these 60 companies, the Volatility Filter selects the 30 companies with the lowest 90-day volatility. These 30 companies constitute the final index selection.

To (new version):

Based on the INDEX UNIVERSE, the initial composition of the INDEX as well as any selection for an ordinary rebalance is determined on the SELECTION DAY in accordance with the following rules (the “**INDEX COMPONENT REQUIREMENTS**“):

To determine the initial composition, the companies in the Selection Pool are ranked in descending order according to their Dividend Yield. The top 60 companies with the largest Dividend Yield advance to the Volatility Filter. Out of these 60 companies, the Volatility Filter selects the top 30 companies with the lowest 90-day volatility. These 30 companies constitute the final index selection. In case several companies are ranked the same, which would lead to a total number of more than 30 companies, the one with the highest Dividend Yield will be selected until 30 companies are reached.

Once a quarter (five Business Days before the last Business Day in April, July, and October), the Index Components are screened for dividend cuts or an overall negative outlook concerning the companies’ dividend policy (“Dividend Cut Review Day”). Quarterly reductions of the dividend payment from a value of 20% or higher will be taken into account and reviewed. If any changes need to be implemented, the index will be adjusted at the close of the last Business Day of the respective month (DIVIDEND CUT ADJUSTMENT DAY).

All Index Components with quarterly reductions of their dividend payment from a value of 20% or higher as well as all companies from the Top 60 of the Selection Pool that are no Index Component will be ranked by their INDICATED DIVIDEND YIELD.

The top ranked companies will be added to the remaining Index Components, which have no dividend cut or negative outlook (which group shall include companies with an anticipated dividend reduction of less than 20%) up to a total of 30 Index Components.

All companies from the Selection Pool, that are no current Index Component, have to meet criteria (a) to (d) outlined in section 2.1 “Index Universe Requirements” as of the Dividend Cut Review Day to be eligible for inclusion.

Companies that have been removed from the Index Composition will remain in the Top 60 of the Selection Pool and will be reviewed again on the next Dividend Cut Review Day.

1. **Section: 2.3 Weighting of the Index Components**

Removing the following paragraph:

Once a quarter (five BUSINESS DAYS before the last TRADING DAY in April, July and October), the index components are screened for dividend cuts or an overall negative outlook concerning the companies’ dividend policy. If any changes need to be implemented, the index will be adjusted at the close of the last TRADING DAY of the respective month. Companies may be excluded on these quarterly reviews and will be replaced with the top ranked company from the selection pool that is currently no index member. The company that is added to the index composition at the quarterly review dates will be given the same weight as the member that will be deleted, calculated as of the trading day before the adjustment takes place. In case more than one company is deleted, the cumulative weight of these companies is calculated and equally distributed among the replacements.

1. **Section: 6 Definitions**

**“Business Day”**

From (old version):

“BUSINESS DAY” is any day which Stuttgart Stock Exchange is open for general Business.

To (new version):

“BUSINESS DAY” is every weekday from Monday to Friday.

**“Rebalance Day”**

From (old version):

“REBALANCE DAY” is the year on the last Business Day in January

To (new version):

“ADJUSTMENT DAY” is the last Business Day in January. If the last Business Day in January is not a Trading Day, the rebalance is postponed to the next Trading Day.

**“Selection Day”**

From (old version):

“SELECTION DAY” is the Business Day 5 Business Days before the Adjustment Day

To (new version):

“SELECTION DAY” is the Business Day 5 Business Days before the last Business Day in January

**The following Definition will be added.**

**“**indicated Dividend Yield**”**

“**INDICATED DIVIDEND YIELD**” is calculated on the respective DIVIDEND CUT REVIEW DAY by taking the annualized most recent ordinary dividend payment and dividing this amount by the close price on the respective DIVIDEND CUT REVIEW DAY.

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.

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| --- | --- |
| 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 Global SuperDividend™ REIT (Net) Index and welcomes any feedback on how this may affect and/or improve their use of Solactive indices.

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Consultation Procedure

Stakeholders and third parties who are interested in participating in this Market Consultation, are invited to respond until 02/04/2021(cob).

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on 16/04/2021.

Please send your feedback via email to [compliance@solactive.com](mailto:compliance@solactive.com), specifying “**Market Consultation- Solactive Global SuperDividend™ REIT (Net) Index**” 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. |  |



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