

MARKET CONSULTATION SOLACTIVE CHINA ELECTRIC VEHICLE AND BATTERY V2 USD INDEX

30 September 2022



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 'Indices'):

NAME	RIC	ISIN
Solactive China Electric Vehicle and Battery v2 USD Index PR	.SOLCEVUP	DE000SL0D0L7
Solactive China Electric Vehicle and Battery v2 USD Index NTR	.SOLCEVUN	DE000SL0D0M5
Solactive China Electric Vehicle and Battery v2 USD Index TR	.SOLCEVUT	DE000SL0D0N3

Rationale for the Market Consultation

The Indices aim to represent the companies that are actively engaged in the Chinese electric vehicle and battery related industry. Solactive has determined that the Chinese electric vehicle and battery industry has grown over time and additional companies have entered this rising business segment. Therefore, to ensure the reflection of objective of the Indices and to improve the diversification within the index composition, an increase of the number of index constituents from 20 to 35 is proposed. In addition, it is proposed to select the index components by using RBICS subindustry classification scheme instead of the FactSet's industry matrix due to its greater granularity to make the selection process more robust. Moreover, Solactive has proposed to increase the single security cap from 9 to 10% and to add in the selection process that a company must have at least one time a positive operating EBIT margin in the last three fiscal years.

In order to reduce the turnover and to decrease the price impact, it is suggested to implement the following weighting scheme for the rebalancing on the second Friday in January 2023:

- 1) Each Index Component is assigned a weight according to Free Float Market Capitalization such that the weight of the company does not exceed 10%. The excess weight will be distributed to the other Index Components pro-rata in an iterative process.
- 2) The weight of each Index Component is multiplied by 0.5 if the security is not a current Index Component. The weights are redistributed pro-rata to the other Index Component in an iterative process while keeping the single security cap of 10%.



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):

Section 2.1 Index Universe Requirements

From (old version):

"[...]

3. Should be from the following industries according to the FactSet Industries and Economic Sectors:

- a) Electrical Products
- b) Motor Vehicles
- c) Auto Parts: OEM
- d) Industrial Machinery
- e) Chemicals: Specialty
- f) Industrial Specialties
- g) Chemicals: Major Diversified

[...]"

"[...]

9. The companies are ranked in their industries, as defined in step 3, according to TOTAL MARKET CAPITALIZATION. The top 8 per industry are selected and constitute the INDEX UNIVERSE.

10. Should less than 15 securities fulfill the requirements until and including step 10, the largest security/securities per TOTAL MARKET CAPITALIZATION that does/do not fulfill the requirements until and including step 9, but fulfills/fulfill the requirements until and including step 8, is/are selected until the INDEX UNIVERSE consists of 15 securities.

[...]"

To (new version):

"[...]



3. Must be classified in one of the following subindustries based on FactSet Revere Business Industry Classification System ("RBICS"):

Alternative Energy Car Manufacturers, Multi-Type Car Manufacturers, Electric Vehicle Charging Stations, Battery Charging Equipment Manufacturing, Electric Vehicle Batteries Manufacturing, Mixed Heavy-Duty and High-End Batteries Makers, Heavy-Duty Industrial Batteries Manufacturing, Traditional Vehicle Batteries Manufacturing, Electric Motors Manufacturing, Lithium Compounds Manufacturing, Lithium Ore Mining, Consumer Batteries Manufacturing, Other Industrial Electrical Product Manufacturing, Multi-Industry-Specific Factory Machinery Makers, Electronic Materials Manufacturing, Consumer Electronics Accessories Manufacturing, Diversified Specialty/Performance Chemicals Makers, General Factory Automation Makers, Powertrain Manufacturing, Motorcycle Manufacturing, Power Transmission and Distribution Products, Test, Measurement and Metrology Equipment Makers, Other Interconnect Components, Diversified Industrial Manufacturing, Automotive and Marine Electronics Manufacturing, Auto Interior Comfort/Safety/Electronics Products, General and Mixed-Type Software, Heating, Ventilation and Air Conditioning Products, Chassis and Body Manufacturing, Pan-Powertrain and Chassis Manufacturing, Film Passive Capacitor Electronic Components, Other Specialty and Performance Chemicals Makers, Other Organic Chemical Manufacturers, Other Discrete Semiconductors, Rail Equipment Manufacturers

9. Must have at least one time a positive operating EBIT margin in the last three fiscal years.

[...]"

Section 2.2 Selection of the Index Components

From (old version):

"[...]

1. Top 15 by TOTAL MARKET CAPITALIZATION rank are selected for index inclusion
2. Existing constituents with rank from 16 to 25 are selected for index inclusion until the target constituent count of 20 is reached
3. If there are less than 20 stocks after step b, non-constituents are selected with rank from 16 to 25 until the target constituent count of 20 is reached

If less than 20 securities pass the selection criteria described above, all such securities will be selected resulting in less than 20 INDEX COMPONENTS.

The selection of the INDEX COMPONENTS is fully rule-based and the INDEX ADMINISTRATOR cannot make any discretionary decision.



[...]"

To (new version):

"[...]

1. All eligible securities are ranked based on their FREE FLOAT MARKET CAPITALIZATION in a descending order.
2. Top 25 by FREE FLOAT MARKET CAPITALIZATION rank are selected for index inclusion.
3. Existing constituents ranked from 26 to 40 by FREE FLOAT MARKET CAPITALIZATION are selected for index inclusion until the target constituent count of 35 is reached.
4. If there are less than 35 stocks after step 3, non-constituents ranked from 26 to 40 by FREE FLOAT MARKET CAPITALIZATION until the target constituent count of 35 is reached.

If less than 35 securities pass the selection criteria as described above, all such securities will be selected resulting in less than 35 INDEX COMPONENTS.

[...]"

Section 2.3 Weighting of the Index Components

From (old version):

"

On each SELECTION DAY each INDEX COMPONENT is assigned a weight according to FREE FLOAT MARKET CAPITALIZATION such that the weight of the company does not exceed 10%. The excess weight will be distributed to the other INDEX COMPONENTS pro-rata in an iterative process.

"

To (new version):

"

On each SELECTION DAY each INDEX COMPONENT is assigned a weight according to FREE FLOAT MARKET CAPITALIZATION such that the weight of the company does not exceed 10%. The excess weight will be distributed to the other INDEX COMPONENTS pro-rata in an iterative process.

"



Section 6 Definitions

The following definition is proposed to be removed:

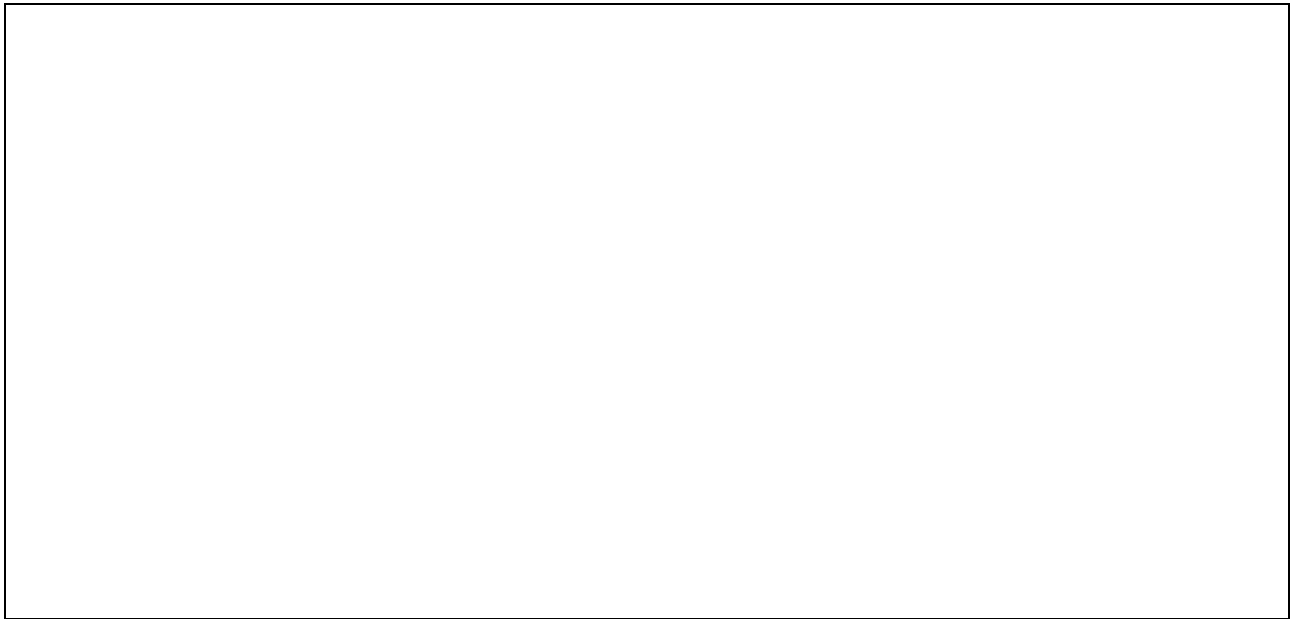
The "Total Market Capitalization" is with regard to each of the securities in the INDEX on a SELECTION DAY the sum of all SHARE CLASS MARKET CAPITALIZATIONS of a company.

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 China Electric Vehicle and Battery v2 USD 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 *November 11th 2022 (cob)*.

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on *December 15th 2022*.

Please send your feedback via email to marketconsultation@solactive.com, specifying "Market Consultation I Solactive China Electric Vehicle and Battery v2 USD 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.

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