

MARKET CONSULTATION  
SOLACTIVE MLP  
INFRASTRUCTURE INDEX –  
CHANGE OF METHODOLOGY

18 July 2023



## 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 'Affected Indices'):

NAME	RIC	ISIN
Solactive MLP Infrastructure (Gross) Index	.MLPAMIDG	DE000SLOALT1
Solactive MLP Infrastructure Index	.MLPAMID	DE000SLA4HN3
Solactive MLP Infrastructure Index (Price)	.MLPAMIDP	DE000SLA4HM5

## Rationale for Market Consultation

Due to the current market environment and ongoing consolidation within the MLP market as well as the expected continuation of this development, Solactive proposes to adjust the weighting mechanism described in Section 2.3. The current weighting scheme will result in a significant overweighting of MLPs taxed as corporations the more constituents the Affected Indices loose. This is not in line with the index objective.

Therefore, Solactive proposes to remove Section 2.3.3) as well as changing the cap of 4.75% for companies ranked below top 6 by a cap as of the weight of the index component ranked at number 6.

Due to the observation of increased market activity for the month end periods within the MLP space, significantly affecting market prices and volatility and in turn also affecting the tradability of the underlying constituents of the Affected Indices, Solactive proposes to adjust the rebalance cycle for the Affected Indices.



## Changes to the Index Guideline

### Section 2.3 WEIGHTING OF THE INDEX COMPONENTS

#### From:

"[....]"

On each SELECTION DAY each INDEX COMPONENT of the Solactive MLP Infrastructure Index is weighted proportionally according to its FREE FLOAT MARKET CAPITALIZATION. The following caps and weight restrictions are then applied:

- 1) The percentage weight of an INDEX COMPONENT, taxed as partnership, with the highest FREE FLOAT MARKET CAPITALIZATION is capped at 10%, the INDEX COMPONENT with the second highest FREE FLOAT MARKET CAPITALIZATION is capped 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 COMPONENT whose percentage weight is not capped.
- 2) If there are fewer than 20 INDEX COMPONENTS, the cap on each of the six highest-ranked INDEX COMPONENTS is increased by 0.5% multiplied by the difference between 20 and the current number of INDEX COMPONENTS. For example, if only 18 INDEX COMPONENTS are included in the Solactive MLP Infrastructure Index, the INDEX COMPONENT with the highest FREE FLOAT MARKET CAPITALIZATION would be capped at 11%.
- 3) The percentage weight of each INDEX COMPONENT, taxed as a corporation, is capped at 2%, provided, however, that if such cap would cause the total maximum weight of all INDEX COMPONENTS to be capped at less than 100%, the percentage weight of each INDEX COMPONENT taxed as a corporation will be capped at 100% minus the sum of MLP companies taxed as partnerships (assuming their maximum weight will be reached) divided by the number of INDEX COMPONENTS taxed as corporations. The excess weight is allocated proportionally to all INDEX COMPONENTS whose percentage weight is not capped.
- 4) 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, this is carried out by implementing the shares as determined based on the weights calculated on the SELECTION DAY.

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

"[...]"



To:

“[...]”

On each SELECTION DAY each INDEX COMPONENT of the Solactive MLP Infrastructure Index is weighted proportionally according to its FREE FLOAT MARKET CAPITALIZATION. The following caps and weight restrictions are then applied:

- 1) The percentage weight of an INDEX COMPONENT, , with the highest FREE FLOAT MARKET CAPITALIZATION is capped at 10%, the INDEX COMPONENT with the second highest FREE FLOAT MARKET CAPITALIZATION is capped 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 the weight of the Index Component with rank number 6. The excess weight is allocated proportionally to all INDEX COMPONENTS whose percentage weight is not capped.
- 2) If there are fewer than 20 INDEX COMPONENTS, the cap on each of the six highest-ranked INDEX COMPONENTS is increased by 0.5% multiplied by the difference between 20 and the current number of INDEX COMPONENTS. For example, if only 18 INDEX COMPONENTS are included in the Solactive MLP Infrastructure Index, the INDEX COMPONENT with the highest FREE FLOAT MARKET CAPITALIZATION would be capped at 11%.
- 3) In case the above-mentioned weighting requirements can no longer be met, the Oversight Committee may decide to revise on the weighting methodology and determine appropriate actions.
- 4) 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, this is carried out by implementing the shares as determined based on the weights calculated on the SELECTION DAY.

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

[...]”



Section 6. DEFINITIONS

From:

[...]

**“ADJUSTMENT DAY”** is the last BUSINESS DAY in February, May, August and November.

[...]”

To:

[...]

**“ADJUSTMENT DAY”** is the 6<sup>th</sup> BUSINESS DAY of February, May, August and November.

[...]”

Defined terms used in this Market Consultation document, but not defined herein, have the meaning assigned to them in the respective index guideline of the Index.



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 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 July 31<sup>st</sup>, 2023 (cob).

Please send your feedback via email to [marketconsultation@solactive.com](mailto:marketconsultation@solactive.com), specifying "Market Consultation Solactive MLP Infrastructure 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

**Solactive AG**

**German Index Engineering**

Platz der Einheit 1

60327 Frankfurt am Main

Germany

Tel.: +49 (0) 69 719 160 00

Fax: +49 (0) 69 719 160 25

Email: [info@solactive.com](mailto:info@solactive.com)

Website: [www.solactive.com](http://www.solactive.com)

© Solactive AG