

MARKET CONSULTATION SOLACTIVE CHINA ELECTRIC VEHICLE AND BATTERY INDEX – CHANGE OF METHODOLOGY

13 October 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 China Electric Vehicle and Battery Index PR	.SOLCEVIP	DE000SLA9J96
Solactive China Electric Vehicle and Battery Index NTR	.SOLCEVIN	DE000SLA9KA3
Solactive China Electric Vehicle and Battery Index TR	.SOLCEVIT	DE000SLA9KB1

Rationale for Market Consultation

The Indices aim to represent companies that are actively engaged in the Chinese electric vehicle and battery related industry, which has grown over time and additional companies have entered this business segment. Companies, partially with low trading volume. To address this circumstance and to avoid tradability constraints due to low trading volume, Solactive proposes the following:

1. Increase of the six months Average Daily Value Traded (ADV) from currently HKD 20 million and on the same time differentiate between Index Components and Non-Index Components. For Index Components the six months ADV should be increased to HKD 60 million, while Non-Index Components would need a six months ADV of HKD 120 million to enter the index.

Besides the proposed changes above, Solactive suggests the following two optional enhancements to lower tradability constraints for these indices:

2. In addition to the proposed changes in 1.) by increasing the Average Daily Value traded, Solactive offers to extend the REBALANCE PERIOD from one day to five days. Details about the Multiday Index Rebalance can be found in the EQUITY INDEX METHODOLOGY, Section 2.2.2.3 Multiday Index Rebalance in a Divisor Index:
https://www.solactive.com/wp-content/uploads/2023/08/Equity-Index-Methodology-v.1.13_18Aug23.pdf
3. Instead of the proposed changes in 1.) by increasing the Average Daily Value traded, Solactive offers to extend the REBALANCE PERIOD from one day to five days as described in 2.), keeping the current threshold of HKD 20 million ADV for both Index Components and Non-Index Components.

In addition, in order to better reflect the market situation in the Chinese electric vehicle and battery related industry based on FREE FLOAT MARKET CAPITALIZATION, Solactive proposes to change the weight constraint for an individual Index Component from currently 10% to 15%.



Changes to the Index Guideline

Section 2.1. INDEX UNIVERSE REQUIREMENTS

From:

"[...]

7. Should have AVERAGE DAILY VALUE TRADED of at least HKD 20 million over 6 months prior to and including the Selection Day

[...]"

To:

"[...]

7. INDEX COMPONENTS should have an AVERAGE DAILY VALUE TRADED of at least HKD 60 million over 6 months and not current Index Components should have an AVERAGE DAILY VALUE TRADED of at least HKD 120 million over 6 months prior to and including the Selection Day.

[...]"

Section 2.3. WEIGHTING OF THE INDEX COMPONENTS

From

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:

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 15%. The excess weight will be distributed to the other INDEX COMPONENTS pro-rata in an iterative process.

The target weights will be implemented after a five-day REBALANCE PERIOD as described in section 3.1.

Section 3.1. ORDINARY REBALANCE

From

In order to reflect the new selection of the INDEX COMPONENTS determined on the SELECTION DAY (in accordance with Section 2.1 and 2.2) the INDEX is adjusted on the REBALANCE DAY after CLOSE OF BUSINESS.



This is carried out by implementing the weights as determined on the SELECTION DAY.

[...]"

To:

In order to reflect the new selection of the INDEX COMPONENTS determined on the SELECTION DAY (in accordance with Section 2.1 and 2.2) the INDEX is adjusted during the REBALANCE PERIOD. The Target Weights which are defined on the SELECTION DAY are used to determine the Number of Total Shares of each INDEX COMPONENT. The final Number of Total Shares after the last day of the REBALANCE PERIOD is achieved by implementing the Target Weights of each constituent successively in the same portion per day.

[...]"

Section 6. DEFINITIONS

Section 6 will be expanded as follows:

"REBALANCE PERIOD" is the period starting from (and including) the REBALANCE DAY until and (including) the immediately following 4 TRADING DAYS (for clarification: the entire REBALANCE PERIOD is 5 TRADING DAYS).

[...]"

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 China Electric Vehicle and Battery 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 13, 2023 (cob).

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