

S&P/NZX 50, S&P/NZX MidCap and S&P/NZX SmallCap Index Consultation

SYDNEY, DECEMBER 8, 2017: This consultation is now closed. For results, please click [here](#).

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S&P/NZX 50, S&P/NZX MidCap and S&P/NZX SmallCap Index Consultation

SYDNEY, OCTOBER 31, 2017: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to the S&P/NZX 50, S&P/NZX MidCap and S&P/NZX SmallCap Indices.

The S&P/NZX 50 Index measures the performance of 50 of the largest and most liquid stocks that trade on the Main Board of the NZX (NZSX), and is widely considered to be New Zealand’s preeminent benchmark index. The index has a fixed constituent count of 50 stocks and covers a significant portion of the New Zealand equity market by both total market capitalization and float-adjusted market capitalization (FMC).

	Market Capitalization (NZD) ¹	
	Total Mkt. Cap	Float-Adjusted Mkt. Cap
S&P/NZX All Index	119,503,235,022	90,508,240,390
S&P/NZX 50 Index	108,611,781,535	85,923,267,844
Percentage Coverage	90.89%	94.93%

S&P DJI is considering revising the index methodology to allow for the inclusion of additional stocks beyond the current fixed 50 stock count in order to potentially increase the market coverage of the index. Two options are being considered:

1. The establishment of an additional six-month median daily value traded (MDVT) requirement to identify a floating number of additional liquid constituents up to a maximum stock count of 60:
 - a. Stocks passing the existing liquidity requirements that rank in the top 70 by six-month average FMC would be reviewed with those having a six-month MDVT greater than NZD 400,000 considered for inclusion.
 - b. Any stock added to the index under this rule would be tracked and treated separately from the index constituents selected under the existing methodology.
 - c. If the six-month MDVT drops below NZD 200,000 for a stock added to the index under this rule, it will be removed from the index provided it is ineligible for index addition under the existing methodology.
 - d. Should a stock that was added to the index under this rule require deletion due to M&A activity, it would not be replaced.
2. The establishment of an additional six-month FMC requirement to identify a floating number of additional significantly weighted constituents up to a maximum stock count of 60:

¹ Based on data from the September 2017 rebalancing, which was effective at the market open on Monday, September 18, 2017.

- a. Stocks passing the existing liquidity requirements with a six-month average FMC that represents at least 0.30% of the existing S&P/NZX 50 Index, as measured at the rebalancing reference date, would be considered for index inclusion.
- b. Any stock added to the index under this rule would be tracked and treated separately from the index constituents selected under the existing methodology.
- c. If the index weight contributed by a stock added under this rule drops below 0.10% at a subsequent rebalancing, it will be removed from the index provided it is ineligible for index addition under the existing methodology.
- d. Should a stock that was added to the index under this rule require deletion due to M&A activity, it would not be replaced.

IMPACT ANALYSIS

The following tables show the actual changes resulting from the September 2017 rebalancing as well as the hypothetical changes that would have occurred had each proposed option been implemented at the September 2017 rebalancing:

Current Methodology

Actual Changes	Ticker	Company Name
Deletion	VGL	Vista Group International Limited
Addition	SML	Synlait Milk Limited (NS)
Rebalancing One-Way Turnover		0.57%

Proposed Option 1

Change	Ticker	Company Name	% of S&P/NZX 50	Six-Month MDVT	Six-Month Average FMC
Addition	TGH	Tegel Group Holdings Ltd	0.27%	556,858	232,771,051
Addition	OCA	Oceania Healthcare Ltd	0.26%	1,285,914	230,233,215
Additional Turnover			0.53%		
Additional FMC Added (NZD)				463,004,266	

Proposed Option 2

Change	Ticker	Company Name	% of S&P/NZX 50	Six-Month MDVT	Six-Month Average FMC
Addition	SKL	Skellerup Holdings Ltd	0.33%	145,031	285,949,078
Addition	GTK	Gentrack Group Ltd	0.31%	213,160	273,973,669
Additional Turnover			0.64%		
Additional FMC Added (NZD)				559,922,746	

S&P DJI would also like to clarify the application of the existing relative and absolute liquidity requirements going forward:

Relative Liquidity. Stocks must have a Relative Liquidity greater than half of the Market Liquidity over the six months of the review period.

Absolute Liquidity. Stocks must have an Absolute Liquidity greater than 2.5% over the six months of the review period.

CONSULTATION

The current methodology states that a stock that has previously been excluded from the index due to low liquidity must meet the above requirements for three consecutive quarterly rebalancings before it will be reconsidered for index inclusion.

“Excluded” should be taken to mean both stocks that were previously in the S&P/NZX 50 or higher index and fell out due to low liquidity, as well as stocks that have never been in the S&P/NZX 50 or higher index due to not meeting the liquidity requirements. In both situations, the stock in question will need to meet three consecutive liquidity tests before being considered for addition to the index. The methodology will be updated to clarify the intended treatment under this rule.

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

- 1. Do you support expanding the number of constituents in the S&P/NZX 50 Index? If so, do you prefer option 1, 2, or is there an alternative option S&P DJI should consider?**
- 2. If the number of constituents in the S&P/NZX 50 Index were expanded, would you support changing the index’s name? If so, how much notice would be required for the index name change?**
- 3. Should the S&P/NZX MidCap Index be expanded to include the additional constituents added to the S&P/NZX 50 as a result of the application of either of the proposal?**
- 4. Should the S&P/NZX SmallCap Index be reduced and exclude the additional constituents added to the S&P/NZX 50 as a result of the application of either proposal?**
- 5. Do you have any other comments or feedback regarding the proposed changes outlined above?**

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. S&P DJI will make responses to consultations freely available upon request.² If you do not want your response to be made available, you must clearly state that in your response. Please respond to this survey by **December 1, 2017**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee’s final review, S&P DJI will consider the issues and may request clarifications from respondents as part of that review. Alternative options to the proposed questions after the deadline require that the consultation be re-opened to the public.

To participate in this consultation, please respond to S&P DJI at index_services@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

² Individual and company names as well as contact details will be redacted.

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500[®] and the Dow Jones Industrial Average[®]. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has become home to over 1,000,000 indices across the spectrum of asset classes that have helped define the way investors measure and trade the markets.

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FOR MORE INFORMATION:

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