

Frequently Asked Questions S&P/NZX Equity Indices

Daily management and commercialization of the NZX Equity Indices transitioned from NZX Limited to S&P Dow Jones Indices (S&P DJI) on June 22, 2015, with indices' names now beginning with "S&P/NZX." On June 22, 2015, the S&P/NZX sector and industry indices were launched, and replaced the NZX sector indices on Sept. 18, 2015. This document has been prepared to address client questions about the transition and changes implemented.

- 1. What methodology changes have been implemented or announced regarding the S&P/NZX Equity Indices?** The overarching goal of the transition is to align the general policies and practices that have governed the NZX Equity Indices with the global standards employed by S&P DJI. To that end, no major methodology changes regarding index selection and weighting rules applicable to specific indices were made. However, several changes affecting all equity indices have been either implemented or announced.

Following the June 22, 2015, transition, all index share counts and treatment of corporate actions followed standard S&P DJI policies. In addition, a transition to S&P DJI's float adjustment methodology took place at the Sept. 18, 2015, quarterly rebalancing, in line with S&P DJI's annual float adjustment review.

- 2. What specific changes have been or are being made to the treatment of index shares?** S&P DJI rounds total shares outstanding to the nearest one thousand and updates share counts on a quarterly basis at the regular rebalancings. In addition, share changes in excess of 5% are updated on a weekly basis. Previously, NZX Limited did not round shares and made updates on a monthly basis. The change to S&P DJI methodology was effective as of the June 22, 2015, transition.
- 3. How does S&P DJI's float adjustment methodology differ from that utilized by NZX Limited?** S&P DJI excludes holdings of 5% or more that are determined to be of a strategic interest (see [S&P DJI's Float Adjustment Methodology](#) for details on definitions of strategic interest). Float adjustment factors (also known as investable weight factors [IWFs]) are updated annually and are effective as of the September rebalancing. However, changes resulting from corporate actions exceeding 5% are updated as soon as practically possible following the announcement to index clients.

NZX Limited considers any holdings exceeding 20% strategic interests. Holdings between 5% and 20% are considered on a case-by-case basis. In addition, dual-listed issuers are subject to an additional adjustment based on the percentage of revenues generated in New Zealand.

In order to facilitate market familiarization with the S&P DJI float adjustment methodology, S&P DJI has made available indicative IWFs for S&P/NZX constituents based on market data available up to Friday, June 19, 2015. Each constituent in the S&P/NZX Equity Indices will be reviewed again prior to the September rebalancing. The complete S&P DJI Float Adjustment Methodology can be accessed [here](#).

4. Was there a change in treatment to the 5% stock cap for the [S&P/NZX 50 Portfolio Index](#)?

Yes. Historically, a 2% buffer was applied to the 5% single stock cap, meaning that if a stock weight was less than 7% as of the rebalancing reference date, it would not be capped down to 5% on the rebalancing’s effective date. As of the June 2015 rebalancing, this buffer was eliminated and stock weights cannot exceed 5% at each quarterly rebalancing.

In addition, if a stock’s weight was less than 2.5%, its weight would be set at 5% or at the weight the stock had in the [S&P/NZX 50 Index](#) (whichever was lower). This additional reweighting is also no longer applied under the current methodology.

5. What new indices have been created? On June 22, 2015, 11 new S&P/NZX sector indices were launched based on the [S&P/NZX All Index](#). The indices are defined using the Global Industry Classification Standard (GICS®)—the world’s most widely used industry classification system. The suite of sector indices is listed in Exhibit 1.

Exhibit 1: New Sector Indices
S&P/NZX All Consumer Discretionary
S&P/NZX All Consumer Staples
S&P/NZX All Energy
S&P/NZX All Financials
S&P/NZX All Health Care
S&P/NZX All Industrials
S&P/NZX All Information Technology
S&P/NZX All Materials
S&P/NZX All Communication Services
S&P/NZX All Utilities

Source: S&P Dow Jones Indices. Table is provided for illustrative purposes.

6. What happened to the previous NZX Limited sector indices? The previous NZX Limited sector indices were discontinued on Sept. 18, 2015. The GICS-based indices served as replacements for the previous indices.

7. How are index changes being communicated to clients? Following the June 22, 2015, transition, announcements for all index changes have been made via the standard S&P DJI report known as the Universal File Format (UFF 2.0) SDE file. Each headline index has a dedicated SDE file that shows 30 days of known, forward-looking index changes, ranging from standard corporate actions to adds, drops, and identifier changes.

In addition to the daily provision of the SDE files, S&P DJI provides market-wide announcements describing additions and removals of stocks at each quarterly rebalance (as well as off-cycle changes) for the [S&P/NZX 10 Index](#), [S&P/NZX 20 Index](#), and [S&P/NZX 50 Index](#).

8. What is the governance structure in place to oversee the indices? A new S&P/NZX Index Committee has been formed to govern the S&P/NZX Indices. The committee consists of full-time employees of S&P DJI and NZX Limited. The index committee is responsible for overseeing the implementation of the index rules and approving index methodology changes when needed.

- 9. Is the composition of the indices available to the public?** The lists of index components are not available to the public; they are only provided to index subscribers or by special request. Please contact S&P DJI client services at index_services@spdji.com or call +612-9255-9802 for more information.

A summary of information, including sector weights, index performance, and index factsheets, can be accessed on S&P DJI's website at www.spdji.com.

- 10. What happens to historical index information?** With the exception of the new S&P/NZX sector indices, all S&P/NZX Indices are seamlessly linked to the history calculated and published by NZX Limited prior to the transition.

In order to maintain continuity in the index history, S&P DJI used the end-of-day index values supplied by NZX on June 19, 2015, to enable the calculation of the index values on Monday, June 22, 2015. Exhibit 2 summarizes historical data availability for the S&P/NZX price return indices.

Exhibit 2: Historical Data Availability for the S&P/NZX Price Return Indices		
EQUITY INDICES	FIRST VALUE DATE	LAUNCH DATE
S&P/NZX 10 Index	June 30, 1988	December 31, 1989
S&P/NZX 20 Index	January 3, 2007	April 23, 2012
S&P/NZX 50 Index	December 29, 2000	March 3, 2003
S&P/NZX 50 Portfolio Index	December 29, 2000	March 3, 2003
S&P/NZX 50 High Dividend Index	January 15, 2010	March 26, 2015
S&P/NZX All Index	June 30, 1986	January 2, 1987
S&P/NZX MidCap Index	February 28, 1997	April 7, 1997
S&P/NZX SmallCap Index	December 28, 1990	April 28, 1993
S&P/NZAX All Index	November 17, 2003	November 30, 2003
S&P/NZX Primary Sector Equity Index	October 1, 2007	October 19, 2009
S&P/NZX Primary Sector Equity Investable Index	October 1, 2007	October 19, 2009
GICS SECTOR INDICES*		
S&P/NZX All Consumer Discretionary	June 19, 2015	June 22, 2015
S&P/NZX All Consumer Staples	June 19, 2015	June 22, 2015
S&P/NZX All Energy	June 19, 2015	June 22, 2015
S&P/NZX All Financials	June 19, 2015	June 22, 2015
S&P/NZX All Health Care	June 19, 2015	June 22, 2015
S&P/NZX All Industrials	June 19, 2015	June 22, 2015
S&P/NZX All Information Technology	June 19, 2015	June 22, 2015
S&P/NZX All Materials	June 19, 2015	June 22, 2015
S&P/NZX All Real Estate	June 19, 2015	June 22, 2015
S&P/NZX All Communication Services	June 19, 2015	June 22, 2015
S&P/NZX All Utilities	June 19, 2015	June 22, 2015

Source: S&P Dow Jones Indices LLC. Table is provided for illustrative purposes.

- 11. Who should I contact if I need to receive real-time index data?** NZX Limited will continue to disseminate real-time index data for the S&P/NZX Indices. Please email data@nzx.com.
- 12. Who should I contact if I need to receive current or historical end-of-day index level or constituent data?** Please contact S&P DJI client services at index_services@spdji.com.

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