

S&P Merval Index Consultation on Selection Universe and Constituent Selection Criteria

MEXICO CITY, JANUARY 6, 2023: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the S&P Merval Index.

In order to align the index methodology with current market conditions, S&P DJI is considering modifying the current float-adjusted market capitalization (“FMC”) and liquidity rules. The table below summarizes the proposed changes.

Proposed Changes	Methodology	
	Current	Proposed
6-month Median Volume Traded Ratio	<p>A minimum annualized six-month median value traded ratio (MVTR) of at least 10% (7% for current constituents).</p> <p>The ratio is calculated by taking the ARS MDVT amount for each of the 6 months preceding the rebalancing reference date, multiplying the monthly amount by the number of days that the stock traded during that month, and then dividing by its end-of-month FMC, also calculated in ARS. The sum of the six-monthly values, multiplied by two, is the MVTR for that stock.</p>	No rule.
Float-Adjusted Market Capitalization	<p>Stocks must have a float-adjusted market capitalization (FMC) of at least 2.5 billion Argentine Pesos (ARS) (ARS 2 billion for current constituents).</p>	The stocks in the index universe are ranked in descending order based on FMC. Current constituents must be within the top 97%, and non-constituents must be within the top 95%, of the cumulative FMC of the index universe to be selected.
Liquidity	<p>Stocks must have the following:</p> <ol style="list-style-type: none"> 1. A minimum six-month median daily value traded (MDVT) greater than ARS 2.5 million (ARS 2 million for current constituents) 	The stocks in the index universe are ranked in descending order based on six-month median daily value traded (MDVT). Current constituents must be within the top 97% to remain in the index, and non-constituents within the top 95%, of the cumulative six-month MDVT of the index universe to be selected.
Constituent Selection	<p>At each rebalancing, all companies that meet the eligibility criteria are selected, with a minimum target count of 20 stocks.</p> <p>If for a given rebalancing, there are fewer than 20 stocks that meet the eligibility criteria, the market capitalization requirement will be relaxed to ARS 1.5 billion. If after this the minimum target of 20 eligible stocks is not met, then the next most liquid stock, based on six-month MDVT, will be selected until the minimum count of 20 stocks is reached.</p>	<p>At each rebalancing, all companies that meet the eligibility criteria are selected, with a minimum target count of 20 stocks.</p> <p>If for a given rebalancing there are fewer than 20 stocks that meet the eligibility criteria, then the stocks in the Selection Universe not complying with the liquidity requirement are ranked in descending order, based on six-month MDVT, and the next most liquid stock will be selected until the minimum count of 20 stocks is reached.</p>

For more information on the S&P Merval Index, please refer to the [S&P/BYMA Indices Methodology here](#).

IMPACT ANALYSIS

Using reference date data from the last five semi-annual rebalancings, the table below shows the number of stocks in the index universe complying with the current selection liquidity and FMC rules as well as the results that would have occurred had the proposed changes been in effect.

Date	Stocks Complying with MVTR Rule		Stocks Complying with FMC Rule		Stocks Complying with Liquidity Rule	
	Current Methodology	Proposed Methodology	Current Methodology	Proposed Methodology	Current Methodology	Proposed Methodology
Sep-20	47	53	33	26	24	21
Mar-21	38	54	32	27	24	22
Sep-21	39	54	35	26	23	22
Mar-22	33	54	38	25	24	20
Sep-22	27	53	44	25	22	21

Using reference date data from the last five semi-annual rebalancings, the table below shows the inner limits for constituents and non-constituents that would have occurred had the proposed selection universe FMC rule change been in effect.

Date	Inner Limit – Minimum FMC Required	
	Top 95%	Top 97%
Sep-20	4,864,016,500	3,222,950,850
Mar-21	4,111,849,000	2,805,086,241
Sep-21	6,814,013,890	3,566,477,200
Mar-22	10,105,625,000	6,809,855,427
Sep-22	12,434,312,500	10,411,886,016

Using reference date data from the last five semi-annual rebalancings, the table below shows the number of stocks in the index universe complying with all selection universe rules, as well as the results that would have occurred had the proposed changes been in effect.

Date	Stocks Complying with All Selection Universe Rules	
	Current Methodology	Proposed Methodology
Sep-20	22	21
Mar-21	22	22
Sep-21	23	22
Mar-22	22	20
Sep-22	23	21

Please refer to Appendix I of this document for the actual September 2022 rebalancing composition and constituent weights, as well as a hypothetical snapshot had the proposed changes been in effect.

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, in conjunction with the semi-annual rebalancing, which take effect prior to the market open on **Monday, March 20, 2023**. If adopted, the changes would first be visible to clients in pro-forma files beginning on **Friday, March 10, 2023**.

CONSULTATION

QUESTIONS

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

1. Which do you prefer regarding the median value traded ratio rule for selection universe purposes?
 - Change to the proposed rule (No MVTR).
 - Change to a different rule (please specify in Question 6 below).
 - Keep the current rule and thresholds.
2. Which do you prefer regarding the float-adjusted market capitalization rule for selection universe purposes?
 - Change to the proposed rule and thresholds.
 - Change to a different rule (please specify in Question 6 below).
 - Keep the current rule and thresholds.
3. Which do you prefer regarding the liquidity rule for selection universe purposes?
 - Change to the proposed rule and thresholds.
 - Change to a different rule (please specify in Question 6 below).
 - Keep the current rule and thresholds.
4. Regarding the minimum constituent count of 20 stocks, do you consider it a pertinent rule and appropriate number of companies to be represented in this index?
 - Yes, keep the current rule with a minimum constituent count of 20 stocks.
 - Keep a minimum constituent count, but change it to a different number (please specify in Question 6 below).
 - Do not impose a minimum number of stocks in the index.
5. Should the proposed methodology changes be adopted, do you agree with the proposed implementation date?
6. 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. Please respond to this survey by **February 3, 2023**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

For further information about this consultation, please contact S&P Dow Jones Indices at SPDJL_Index_Governance@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.

CONSULTATION

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

Appendix I

The following table shows the index's actual composition and constituent weights from the September 2022 semi-annual rebalancing under the current methodology, as well as the hypothetical results that would have occurred had the proposed methodology changes been in effect at that time. Please note that the weights calculated are based on data as of August 19, 2022, the rebalancing reference date.

S&P Merval Index	September 2022 Rebalancing		Difference
	Actual	Hypothetical	
Grupo Financiero Galicia B	12.6%	12.5%	-0.1%
YPF SA D	13.3%	13.2%	-0.1%
Banco Macro SA B	4.6%	4.5%	-0.1%
Pampa Energia S.A.	10.2%	10.1%	-0.1%
BBVA Banco Frances SA	2.7%	2.7%	0.0%
Grupo Supervielle S.A. B	1.5%	1.5%	0.0%
Bolsas y Mercados Argentinos S.A.	5.2%	5.1%	-0.1%
Ternium Argentina Sociedad Anonima	13.5%	13.5%	-0.1%
Aluar Aluminio Argentino SAIC	5.3%	5.2%	-0.1%
Loma Negra Compania Industrial Argentina S.A.	5.7%	5.6%	-0.1%
Grupo Financiero Valores Sociedad Anonima	2.5%	2.5%	0.0%
Central Puerto S.A.	5.5%	5.5%	0.0%
Telecom Argentina SA B	2.4%	2.4%	0.0%
Transportadora de Gas del Sur SA B	3.2%	3.2%	0.0%
Cresud S.A.C.I.F. y A.	3.3%	3.3%	0.0%
Transportadora de Gas del Norte SA C	0.6%	0.6%	0.0%
Soc Com del Plata	2.4%	2.4%	0.0%
Mirgor SA C	2.0%	2.0%	0.0%
Transp de Energia Electr en Alta Tension B	0.5%	0.5%	0.0%
Empresa Distribuidora y Comercializadora Norte	0.8%	0.0% (Not Selected)	-0.8%
Cablevision Holding S.A. B	1.5%	1.5%	0.0%
IRSA S.A.	0.0%	2.3%	2.3%
Holcim (Argentina) SA	0.7%	0.0% (Not Selected)	-0.7%
Agrometal S.A.	0.2%	0.0% (Not Selected)	-0.2%

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 been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

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