HSBC Low Beta Factor Index and HSBC Long-Short Low Beta Index Series Consultation on Stock Weight Calculations and Potential Relaunch – Extended

AMSTERDAM, MARCH 26, 2025: S&P DJI Netherlands B.V., a wholly owned subsidiary of S&P Dow Jones Indices LLC ("S&P Dow Jones Indices" or "S&P DJI"), is the benchmark administrator for the HSBC Low Beta Factor Index Series and HSBC Long-Short Index Series. The HSBC Low Beta Factor Index Series and HSBC Long-Short Index Series are owned by HSBC Bank Plc ("HSBC"). S&P DJI is conducting a consultation with market participants on potential changes to the stock weighting and possible relaunch of the HSBC Low Beta Factor Index Series, HSBC Long-Short Low Beta Index Series, and related indices. In order to allow market participants additional time to review the proposal and submit feedback, S&P DJI is extending the consultation, which now closes on Monday, April 28, 2025.

BACKGROUND

S&P DJI is proposing to change the Intra-Industry Stock Weight Calculation to include a market capitalization tilt and to introduce a cap on the Sector Neutral Stock Weight Calculation. These changes will impact all indices in the HSBC Low Beta Factor Index Series and the HSBC Long-Short Low Beta Factor Europe Indices.

PROPOSAL

The proposed changes are detailed in the table below:

<table>
<tr><th rowspan="2">Proposed Changes</th><th colspan="2">Methodology</th></tr>
<tr><th>Current</th><th>Proposed</th></tr>
<tr><td>Index Construction</td><td>This section describes the Index Construction steps which are summarized below:
(i) First the Beta Measure of each stock is calculated.
(ii) In each Industry of the Reference Benchmark Index, the Index Constituent Selection or Low Beta Selection is determined by ranking all stocks according to their Beta Measure.
(iii) The Final Target Weights are then calculated following the below steps:
• Intra-Industry Stock Weights are determined for each stock in the Low Beta Selection.
• The Sector Neutral Stock Weights are calculated by sector neutralizing the Intra Industry Stock Weights.
• Finally, the Sector Neutral Stock Weights are adjusted by a Liquidity Factor, resulting in the Final Target Weights.</td><td>This section describes the Index Construction steps which are summarized below:
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(iii) The Final Target Weights are then calculated following the below steps:
• Intra-Industry Stock Weights are determined for each stock in the Low Beta Selection.
• The Sector Neutral Stock Weights are calculated by sector neutralizing the Intra-Industry Stock Weights.
• An 8% cap is applied on Sector Neutral Stock Weights for eligible stocks.</td></tr>
</table>

Proposed Changes	Methodology	
	Current	Proposed
		• Finally, the Sector Neutral Stock Weights are adjusted by a Liquidity Factor, resulting in the Final Target Weights.
Sector Neutral Stock Weight Determination	For each stock in the Low Beta Selection, in order to achieve sector neutral weight on Observation Date t: (i) We first calculate the weight of the stocks in their respective Industry using the inverse volatility of each stock. (ii) We then calculate the weight of each Industry in the Reference Benchmark Index on Observation Date *t*. (iii) Sector neutral weights are then calculated as the product of the weight of the stocks in their respective Industry and the weight of their respective Industry, as described in more detail below.	For each stock in the Low Beta Selection, in order to achieve sector neutral weight on Observation Date *t*: (i) We first calculate the weight of the stocks in their respective Industry using the inverse volatility of each stock. (ii) We then calculate the weight of each Industry in the Reference Benchmark Index on Observation Date *t*. (iii) Sector neutral weights are then calculated as the product of the weight of the stocks in their respective Industry and the weight of their respective Industry, as described in more detail below. **(iv) An 8% cap is applied on Sector Neutral Stock Weights for eligible stocks.**
Intra Industry Stock Weight Calculation	For each Industry *g*, the **"Inverse Vol Intra Industry Sum**" $\mathrm{IVS}_{g,t}$ is the sum of the $\mathrm{InverseVol}_{i,t}$ for all the stocks, within the Low Beta Selection, in the industry *g*, as per the below: $\mathrm{IVS}_{g,t} = \sum_{i=1}^{N_{g,t}} \mathrm{InverseVol}_{i,t}$ And: $\mathrm{InverseVol}_{i,t} = \frac{1}{\mathrm{vol}_{i,t}}$ $\mathrm{InverseVol}_{i,t}$: The inverse of $vol_{i,t}$, of stock *i*, on Observation Date *t*	For each Industry *g*, the **"Inverse Vol Intra Industry Sum**" $\mathrm{IVS}_{g,t}$ is the sum of the $\mathrm{InverseVol}_{i,t}$ for all the stocks, within the Low Beta Selection, in the industry *g*, as per the below: $\mathrm{IVS}_{g,t} = \sum_{i=1}^{N_{g,t}} \mathrm{InverseVol}_{i,t}$ And: $\mathrm{InverseVol}_{i,t} = \frac{1}{\mathrm{vol}_{i,t}} \times \boldsymbol{wb_{i,t}}$ $\mathrm{InverseVol}_{i,t}$: The inverse of $vol_{i,t}$, of stock *i*, on Observation Date *t* **multiplied by the weight of stock i in "Reference Benchmark Index" on Observation Date t.** $\boldsymbol{wb_{i,t}}$**: means the weight of stock i in "Reference Benchmark Index" on Observation Date *t*.**
Sector Neutral Stock Weight Calculation	On Observation Date *t*, the "Sector Neutral Stock Weight", $\mathrm{snw}_{\mathrm{i,t}}$, is calculated for each stock *i* in the Low Beta Selection as the product of the Intra Industry Stock Weight and the Industry Weight as follows: $\mathrm{snw}_{i,t} = \text{Intra Industry Stock Weight}_{g,i,t} \times \text{Industry Weight}_{g,\mathrm{t}}$	On Observation Date *t*, the "Sector Neutral Stock Weight", $\mathrm{snw}_{\mathrm{i,t}}$, is calculated for each stock *i* in the Low Beta Selection as the product of the Intra-Industry Stock Weight and the Industry Weight as follows: $\mathrm{snw}_{i,t} = \text{Intra} - \text{Industry Stock Weight}_{g,i,t} \times \text{Industry Weight}_{g,\mathrm{t}}$ **On Observation Date t, if the "Sector Neutral Stock Weight" of any stock exceeds 8%, then the stock is capped at 8%, the excess weight is proportionally redistributed to the remaining uncapped stocks, and these weights are used for Final Target Weights Calculation.**

IMPACTED INDICES

The table below lists the indices impacted by these proposed changes.

Index Name	Index Code
HSBC Long-Short Low Beta Factor Europe Excess Return Index (EUR)	HSIEBE1E
HSBC Long-Short Low Beta Factor Europe Gross Excess Return Index (EUR)	HSIEBE1EG
HSBC Long-Short Low Beta Factor Europe Total Return Index (EUR)	HSIEBE2E
HSBC Long-Short Low Beta Factor Europe Gross Total Return Index (EUR)	HSIEBE2EG
HSBC Low Beta Factor ESG Europe Price Return Index (EUR)	HSIEBEGP
HSBC Low Beta Factor ESG Europe Price Return Index (USD)	HSIEBEGPUSD
HSBC Low Beta Factor ESG Europe Net Total Return Index (EUR)	HSIEBEGT
HSBC Low Beta Factor ESG Europe Net Total Return Index (USD)	HSIEBEGTUSD
HSBC Low Beta Factor Europe Price Return Index (EUR)	HSIEBEPE
HSBC Low Beta Factor Europe Price Return Index (USD)	HSIEBEPU
HSBC Low Beta Factor Europe Net Total Return Index (EUR)	HSIEBETE
HSBC Low Beta Factor Europe Net Total Return Index (USD)	HSIEBETU
HSBC Long-Short Low Beta Factor US Excess Return Index (USD)	HSIEBU1U
HSBC Long-Short Low Beta Factor US Gross Excess Return Index (USD)	HSIEBU1UG
HSBC Long-Short Low Beta Factor US Total Return Index (USD)	HSIEBU2U
HSBC Long-Short Low Beta Factor US Gross Total Return Index (USD)	HSIEBU2UG
HSBC Low Beta Factor US Total Return Index (USD)	HSIEBUGU
HSBC Low Beta Factor US Price Return Index (EUR)	HSIEBUPE
HSBC Low Beta Factor US Price Return Index (USD)	HSIEBUPU
HSBC Low Beta Factor US Net Total Return Index (EUR)	HSIEBUTE
HSBC Low Beta Factor US Net Total Return Index (USD)	HSIEBUTU

IMPACT ANALYSIS

S&P DJI conducted an analysis to assess the impact of the proposed changes using the HSBC Low Beta Factor Europe Price Return Index as an example.

There is no impact on the index stock composition. The impact on the weighted beta of the index and the index component weight differences between current and proposed methodology for HSBC Low Beta Factor Europe Price Return Index is below:

Rebalance Date	Weighted Beta[1] in Current Methodology	Weighted Beta in Proposed Methodology	Index Components' Weight Difference
Oct-2024	65.83%	65.76%	68.58%
Jan-2024	82.87%	83.26%	73.87%
Oct-2023	86.13%	86.16%	76.21%

The assessment of the impact of the methodology changes on the index risk/returns characteristics, if the change is implemented from the base date of the indices, is below:

		Current Methodology			Proposed Methodology		
Index	Dates	Index Levels	Annualized Return	Total Return	Index Levels	Annualized Return	Total Return
HSBC Low Beta Factor Europe Price Return Index (USD)	19-Feb-2025	135.05	1.09%	20.77%	120.95	0.45%	8.16%
	15-Oct-2007	111.83			111.83		
	19-Feb-2025	147.64	2.92%	64.80%	132.23	2.26%	47.60%

[1] Index component beta weighted by the index component final weight in the index.

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Index	Dates	Current Methodology			Proposed Methodology		
		Index Levels	Annualized Return	Total Return	Index Levels	Annualized Return	Total Return
HSBC Low Beta Factor Europe Price Return Index (EUR)	15-Oct-2007	89.59			89.59		
HSBC Low Beta Factor Europe Net Total Return Index (USD)	19-Feb-2025	159.35	4.00%	97.31%	142.75	3.34%	76.76%
	15-Oct-2007	80.76			80.76		
HSBC Low Beta Factor Europe Net Total Return Index (EUR)	19-Feb-2025	174.21	5.88%	169.25%	156.06	5.21%	141.21%
	15-Oct-2007	64.70			64.70		
HSBC Long-Short Low Beta Factor Europe Excess Return Index (EUR)	19-Feb-2025	98.49	0.87%	16.21%	87,77	0.20%	3.56%
	15-Oct-2007	84.75			84.75		
HSBC Long-Short Low Beta Factor Europe Total Return Index (EUR)	19-Feb-2025	104.58	1.57%	31.09%	95,89	1.38%	26.75%
	15-Oct-2007	79.77			79.77		

For the HSBC Long Short Low Beta Factor Europe indices the assessment of Beta Factors change is provided below:

Rebalance Date	Beta Factor in Current Methodology	Beta Factor in Proposed Methodology
20-Jan-2025	66%	68%
21-Oct-2024	71%	71%
22-Jul-2024	77%	75%
22-Apr-2024	77%	73%
22-Jan-2024	83%	81%
23-Oct-2023	86%	85%
23-Jul-2023	76%	76%
24-Apr-2023	75%	74%
23-Jan-2023	76%	74%
24-Oct-2022	74%	74%
18-Jul-2022	75%	74%
19-Apr-2022	75%	71%
24-Jan-2022	80%	80%
18-Oct-2021	83%	82%
19-Jul-2021	88%	91%
19-Apr-2021	73%	74%
18-Jan-2021	67%	70%
19-Oct-2020	69%	67%
20-Jul-2020	74%	73%
20-Apr-2020	75%	74%
20-Jan-2020	68%	67%
21-Oct-2019	72%	74%
22-Jul-2019	77%	74%
23-Apr-2019	78%	73%
21-Jan-2019	76%	76%

Additional data and analysis may be made available in the Client Resource Center *www.spglobal.com/spdji/en/client-services/*, which may be updated from time to time throughout the consultation without notice. The information will be posted for the duration of the consultation and up to 30 days thereafter at S&P DJI's discretion. Additional data and analysis may also be made available upon request.

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, in conjunction with the upcoming rebalance, which is effective after the close on **July 18, 2025**. If adopted, the changes will first be visible to clients in the pro-forma files beginning on **July 16, 2025.**

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QUESTIONS

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

1. **Do you agree with the proposal to change the weighting scheme for the impacted indices?**
2. **Do you agree with the proposal to implement the changes on a going forward basis only and keep the history unchanged?**
3. **Do you agree with the proposal to relaunch the impacted indices by implementing the changes both on a going forward basis and historically?**
4. **Should the proposed methodology changes be adopted, do you agree with the proposed implementation date?**
5. **Do you have any other comments or feedback regarding the proposed changes outlined above?**

Participation in this consultation is important as S&P DJI gathers information from various market participants to properly evaluate the market participants' views and preferences. Please respond to this survey by **Monday, April 28, 2025**, as S&P DJI does not accept responses post the survey closure date. 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*.

Please be advised that S&P DJI reviews and considers all feedback before a final decision is made. However, S&P DJI makes no guarantees and is under no 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, the change(s) will be announced to clients and posted on the S&P DJI website with prior notice ahead of the effective date.

Thank you for taking the time to complete this survey.

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

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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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