Methodology of CSI 300 Dividend Low Volatility Index

CSI 300 Dividend Low Volatility Index selects 50 securities from the constituents of CSI 300 which are characterized by good liquidity, continuous dividend-paying record, high dividend yield and low volatility as constituents. The Index is weighted by dividend yield. It aims to reflect the performance of high dividend yield and low volatility companies among the constituents of CSI 300 Index.

1. Index Name and Index Code

- Index Name: CSI 300 Dividend Low Volatility Index
- Shortened Name: CSI 300 Dividend LV
- Index Code: 930740

2. Base Date and Base Value

The base date is December 31, 2004. The base value is 1000.

3. Index Eligibility

3.1 Index Universe

The Constituents of CSI 300 Index

3.2 Constituents Selection

(1) From the Index Universe, select securities that meet following criteria:

- Continuously paid cash dividends in the past three years;
- The average payout ratio in the past three years is between 0 and 1;
- The standard deviation of ROE in past 12 months are among the smallest 80% in the Index Universe.

(2) Among the remaining securities, select those that are ranked in the top 50% by 3-year average dividend yield as candidates.

(3) Rank the candidates by volatility, which is the standard deviation of daily returns during the past year, in ascending order and select the top 50 securities as constituents.

4. Index Calculations

The index is calculated according to the following formula:

Current Index = Current Total Adjusted Market-Cap / Divisor × Base Value

Where Current Total Adjusted Market-Cap = Σ(Security Price × Number of Free Float Adjusted Shares × Weight Factor)

For the calculation of number of free float adjusted shares, please refer to CSI Index Calculation and Maintenance Methodology for further details. The value of Weight Factor is between 0 and 1, which is calculated at each rebalancing date, so that the weight of each constituent is weighted by dividend yield, the weight of each constituent is capped at 10% and the weight of each sector is capped at 30%.

5. Constituents and Index Weights Adjustment

5.1 Constituent's Periodical Review

The index is adjusted and rebalanced semi-annually and the adjustment will be effective as of the next trading day after the 2nd Friday in June and December.

Weight Factor is assigned to each constituent at each rebalancing date. The effective date is the same as that of the constituent adjustment. The Weight Factor stays the same until next rebalancing date.

5.2 Ongoing Review

When special events occur, CSI will review the index accordingly. Delisted securities will be deleted from the constituents. Please refer to Index Calculation and Maintenance Methodology for further details.