

Mirae Asset Equity Index Calculation Methodology

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1. Introduction

Mirae Asset Global Index Pvt. Ltd. is strongly committed to adhering to the IOSCO Principles for Financial Benchmarks to ensure the highest standards of transparency in maintenance and calculation of its indices. This document serves as a comprehensive guideline for the processes involved in the maintenance and calculation of equity indices. It outlines the index calculation methodology, types of indices published, treatment of various corporate actions, and the periodic rebalance process. The objective of this document is to clearly define the methodologies followed by Mirae Asset Global Index Pvt. Ltd. as part of its Index Calculation and Maintenance process. The adjustments and practices described herein reflect Mirae's recommendations, which are based on the analysis of market standards and offer a practical and consistent approach to handling complex index related scenarios.

2. Index Calculation

Depending on the return type in consideration, Mirae Asset Global Index offers calculation in three versions of indices:

Price Return (PR): The return measure that considers only the capital appreciation of the portfolio, while the income generated by the assets in the portfolio, in the form of certain dividends, is ignored.

Gross Return (GTR): The return measure that considers the capital appreciation of the portfolio and the income generated by the assets in the portfolio in the form of dividends.

Net Return (NTR): The return measure that considers the capital appreciation of the portfolio and the tax adjusted income generated by the assets in the portfolio in the form of dividends.

The calculation for market cap-weighted indices is shown in the equation below where the total market value, which is the numerator, is summation of price of each security in the index at the respective exchange multiplied by the numbers of shares of Index security. Target Weights of Index security which are determined on the selection day according to the index methodology is used to calculate the number of shares of each Index security. The Divisor, the denominator, is a mathematical factor that is defined at the inception of the Index. The Divisor is a term induced to adjust for certain corporate actions and index rebalances.

$$Index\ Value_1 = \frac{\sum_{i=1}^n NOS_t^i * P_t^i}{Divisor_t}$$

In case the currency of the security is different from the currency being used in Index calculation then the foreign exchange rate is also taken into consideration for individual securities. This is shown in equation below:

$$Index\ Value_2 = \frac{\sum_{i=1}^n NOS_t^i * P_t^i * FX_t^i}{Divisor_t}$$

Another variant is the float market-cap-weighted index, where float market capitalization is taken instead. The shares are adjusted for float and are represented by the equation below:

$$Index\ Value_3 = \frac{\sum_{i=1}^n NOS_t^i * P_t^i * FX_t^i / WCF_t^i * WCF_t^i}{Divisor_t}$$

where in,

NOS_t^i : Total Shares Outstanding of i stock at time t .

P_t^i : Price per share of company i on date t .

FX_t^i : Foreign exchange rate applied on company i 's stock to translate its value to the index currency on ex-date t .

IWF_t^i : Investable Weight Factor is the unit that shows how much portion of a company's total shares is available to the investors for trading freely on the stock exchange. This is not adjusted for foreign ownership restriction.

WCF_t^i : Weighting Cap Factor is a factor defining the relative weight of an Index security to the Index Market Capitalization. The process to determine WCF is mentioned in the given equation:

$$WCF_t^i = \frac{CW_t^i}{W_t^i}$$

CW_t^i is the capped weight of stock i at time t as determined by the weight capping rule of the index in question and W_t^i is the uncapped weight of stock i at time t based on the free float-adjusted market capitalization of all index constituents.

2.1. Divisor Adjustment

Divisor is a factor that is used to calculate the value of an Index and is adjusted so as to reflect the impact of the corporate events on the Index. The divisor is a way to maintain the continuity of the Index series. From a theoretical standpoint any changes to a stock in the Index which alters the market capitalization of the stock would impact the entire Index weightings itself. In order to compensate for this, divisor is adjusted to maintain continuity of the Index. The adjustments to the divisor result from changes in the adjustment factors of price and number of shares of an individual stock of the Index. These are respectively called as PAF and SAF adjustments.

Divisor is calculated as below:

$$Divisor_t = Divisor_{t-1} * \frac{\sum_{i=1}^n [(P_{t-1}^i * PAF_t^i) * IWF_t^i * WCF_t^i * (NOS_{t-1}^i * SAF_t^i) * FX_{t-1}^i]}{\sum_{i=1}^n [P_{t-1}^i * NOS_{t-1}^i * IWF_{t-1}^i * WCF_{t-1}^i * FX_{t-1}^i]}$$

Where:

$Divisor_t$	Value of divisor on date t .
P_{t-1}^i	Price per share of company i on date $t - 1$.
FX_{t-1}^i	Foreign exchange rate applied on company i 's stock to translate its value to the index currency on ex-date $t - 1$.
NOS_{t-1}^i	Number of shares of the company i on date $t - 1$.
SAF_t^i	Shares Adjustment Factor of company i on date t .
PAF_t^i	Price Adjustment Factor of company i on date t .
IWF_{t-1}^i	Investable Weight Factor of company i on date $t - 1$.
WCF_{t-1}^i	Weighting Cap Factor of company i on date $t - 1$.

2.2. Index Levels Publication

For each index, end-of-day index levels are calculated and published following the close of trading in the underlying securities, using their respective official closing prices. In addition, for select indices, real-time index levels may be calculated and disseminated during market hours based on real-time prices of the underlying securities.

2.3. Index Files Distribution

Mirae Asset disseminates index related files, including daily constituents and levels, to its respective clients through an encrypted Secure File Transfer Protocol (SFTP).

3. Adjustments

Adjustment to index is made if there is a corporate action event or periodic rebalance or extraordinary event which leads to addition or deletion of certain securities. In case of a corporate action event, the necessary adjustment in stocks and overall index is made. Please refer to Mirae Asset Standard Corporate Action Treatment Methodology document which explains treatments of various events.

Based on index rebalance requirements, the index is reviewed against the eligibility criteria outlined in the respective methodology. This review may result in changes to constituent weights, additions or deletions of securities, and adjustments to the index divisor. In such cases, the necessary adjustments are made to the index prior to the rebalance effective date. During the periodic rebalance process, all known future corporate events, such as mergers and spin-offs, are identified and considered ahead of the effective date to help minimize turnover.

In case of corporate events involving removal of any of the existing index constituents, a minimum of two index business days' advance notice will be released before effective date of index adjustment. The index adjustment will be made using the last available close price of the impacted constituent/s, as applicable. If the index constituent which is subject to removal because of a merger or acquisition is not tradable, its valuation at the close prior to the effective date could be updated to reflect the deal terms of the transaction whenever considered appropriate.

4. Rebalance Schedule

The index is rebalanced as per the rebalance schedule defined in the respective index methodologies. The rebalance date and corresponding reference dates are determined based on the specifications outlined in each index's methodology.

5. Holidays

As a standard procedure, a 5-day weekly calendar is used for index calculation across all markets. However, index holidays may be applied to specific indices if outlined in their respective index methodologies. In the event of any disruption in market trading, such as a full day closure or premature market close, the previous day's prices may be used for index calculation.

6. Extraordinary Events other than Temporary Disruptions

Fast Track Entry of IPO Securities

For indices that include a provision for Fast Track Entry of IPO Securities in their respective methodologies, a review is conducted to evaluate IPO securities for potential inclusion in the index outside the scheduled reconstitution/rebalance schedule. This assessment is based on data as of the IPO Evaluation Day, as defined in the relevant index methodology. An IPO security will be considered for fast-track inclusion if it satisfies the following conditions:

1. The security meets all requirements outlined under the Initial Universe, Eligibility Filters, and Selection Criteria specified in the Index Selection Rules.
2. The security must have been listed for at least 10 calendar days.
3. The security's Company Level Total Market Capitalization is greater than the Company Level Total Market Capitalization of at least 50% of the existing index constituents.

If an IPO meets above criteria, Fast Track Entry is triggered. The inclusion becomes effective in the index five Index Business Days after the announcement. The index weight will be determined in accordance with the Weighting section of the respective index methodology. Both weights and shares will be determined using data as of the IPO Evaluation Day. If the Fast Track Entry provisions differ for any index, the rules outlined in the respective index methodology will take precedence.

Sanctions

Sanctions imposed by the Office of Foreign Assets Control (OFAC), a financial intelligence and enforcement agency within the U.S. Department of the Treasury, are monitored on an ongoing basis. When such sanctions target specific countries or companies, their relevance, severity, and potential impact are assessed on a case-by-case basis for indices under coverage where applicable. This assessment may result in:

1. Removal of affected constituents from the existing index portfolio, and/or
2. Exclusion from the eligible universe of the index.

If any index treatment is deemed necessary due to sanctions, advance notification is released to ensure transparency and consistency in implementation.

Disclaimer

All information provided herewith is for reference purposes only. Mirae Asset Global Index Private Limited ensures the accuracy and reliability of the information presented herein to the best of its abilities. However, Mirae Asset Global Index Private Limited, its Holding/Group companies their directors, officers, employees or affiliates' makes no guarantee or representation thereof for the correctness and reliability of the information contained in this document and denounces all liability that may arise to any person for any damage arising as a result of referring to the information provided in the aforesaid document. The information is to be used only as a guidance and should not be considered as a professional or investment advice. The historical performance of the strategy is a hypothetical performance based on several assumptions like availability to trade, no liquidity issues with stocks. The hypothetical historical performance should not be considered as a tradable portfolio and does not guarantee any future performance of the strategy.