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STOXX

iSTOXX® Equity Indices Methodology Guide

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Part of DEUTSCHE BÖRSE GROUP

6.2. iSTOXX MUTB GLOBAL EX AUSTRALIA QUALITY LEADERS 150 INDICES

6.2.1.OVERVIEW

The iSTOXX MUTB Global ex-Australia Quality Leaders 150 index selects the best companies from the components of the STOXX Global 1800 ex Australia index, based on a combined screening and ranking of four fundamental indicators. The indicators used are profitability, leverage, cash flow generation ability and business stability. Stocks need to fulfill minimum liquidity criteria before being added to the index.

The component selection is conducted on a semi-annual basis in June and December

Universe: The index is derived from the STOXX Global 1800 ex Australia Index.

Weighting scheme: The indices are weighted according to free-float market capitalization with a weighting cap.

Base values and dates: The following base values and dates apply:

Index	Versions	Currencies	Base values and dates
iSTOXX MUTB Global ex Australia Quality Leaders 150	Price, gross and net return	EUR	100 on December 20, 2002
		USD	102.69 on December 20, 2002
		AUD	183.02 on December 20, 2002

For a complete list please consult the data vendor code sheet on the website[9]. Customized solutions can be provided upon request.

Index types and currencies: Price, net and gross return in EUR, USD and AUD are calculated.

Dissemination calendar: STOXX Global calendar

6.2.2.INDEX REVIEW

Selection list: The universe is divided into three regions: North America, Europe and Asia/Pacific. For all stocks in each respective universe subdivision, percentile ranks are assigned to the following four ratios, where rank 0 is the worst and rank 1 the best. In addition, percentile ranks for the same four ratios are calculated on the full universe as well.
Only stocks with positive Shareholder's Equity, Total Assets and Net Cash Flow from Operating Activities and non-missing current Total Debt and Net Income data are eligible. Industrial stocks (all stocks excluding Financials) need to have a positive sum of Net Property, Plant and Equipment, Inventories and Accounts Receivables to be eligible for ranking.

[9] www.stoxx.com/documents/stoxxnet/Documents/Resources/Data_Vendor_Codes/vendor_codes_sheet.csv

- Return on Equity (ROE): calculated as Net Income divided by Shareholder's Equity. The higher the value of the ratio, the higher the rank to be assigned.

- Financial Health: calculated as Total Debt divided by the sum of Shareholder's Equity and Total Debt. The lower the value of the ratio, the higher the rank to be assigned.

- Cash-Flow Generation Ability:
  - For Financial stocks (Effective up until September 2020 review, as identified by ICB Industry Code 8000. Effective up until September 2020 review, as identified by ICB Industry Codes 30 and 35): calculated as Net Cash-Flows from Operating Activities divided by Total Assets. The higher the value of the ratio, the higher the rank.
  - For industrial stocks (all stocks excluding Financials): calculated as Net Cash-Flows from Operating Activities divided by the sum of Net Property, Plant and Equipment, Inventories and Accounts Receivables. The higher the value of the ratio, the higher the rank

    The percentile ranks from each group (financials / non-financials) form the final Cash-Flow Generation Ability rank.

- Business Stability: calculated as the standard deviation of Net Income over the last five years divided by Shareholder's Equity. The lower the value of the ratio, the higher the rank assigned. In order to calculate this ratio, Net Income data for at least three out of five periods should be available.

An additional percentile rank is assigned to liquidity (defined below) for all stocks in the universe, without applying universe division into regions for any index.

- Liquidity: calculated as the three-month Average Daily Traded Value (ADTV). The higher the liquidity, the higher the rank to be assigned.

For non-components a liquidity screening applies. Companies need to rank within the top 80% by liquidity rank to be eligible.

The stocks fulfilling the following screening criteria, using the regional ranking calculated above, will compose the selection list:

- All companies ranked by ROE between 0.5 and 1
- All companies ranked by Financial Health, Cash-Flow Generation Ability and Business Stability between 0.05 and 1

A composite quality score is calculated for all the stocks in the selection list using the percentile ranks calculated on the full universe as follows.

$$0.4 \times \text{ROE Ranking} + 0.2 \times (\text{Financial Health ranking} + \text{Cash Flow Generation Ability ranking} + \text{Business Stability ranking})$$

Composition list: All eligible companies are ranked by the composite quality score in descending order. The top 150 components based on the composite quality score will be considered for index composition. Additionally, the following rules will apply:

1. For current components of the index, if its quality score is more than 95% of the quality score of the 150th stock, then it will remain in the index.
2. When the number of stocks selected above is less than 150, the remaining constituents are selected in descending order by quality score from current non-components

If the composite score is the same for two stocks at the 150h threshold, the stock with higher ROE ranking will be selected for the index. If the ROE ranking is the same, the stock with the highest free-float market capitalization will be selected.

Review frequency: The reviews are conducted on a semi-annual basis in June and December. The review cut-off date for the underlying data is the last trading day of the month preceding the review month. The new composition of the corresponding universe effective on the Monday following the third Friday of the review month (June and December) is used as base universe.

Weighting cap factors: Components are capped on a quarterly basis in March, June, September and December based on the close prices from the second Thursday of the rebalancing month. The weighting cap is determined as the greater of (i) 2% and (ii) the highest value among the constituent average weights observed in the universe, where, for each constituent, the average weight is calculated using its weight history over the preceding 24 months. The average weights are based on month-end weights as of the last trading day of each month. The resulting cap is applied uniformly to all components. If a full 24-month weight history is not available, the average is calculated using the longest available weight history for the constituent.

6.2.3.ONGOING MAINTENANCE

Replacements: Deleted companies are not replaced in the index. Deletions from the corresponding universe, which remain in the STOXX Total Market Index are not deleted from the index.

Fast exit: Not applicable.

Fast entry: Not applicable.

Spin-offs: A spin-off is not added permanently to the index.

Corporate Actions: All components are maintained for corporate actions as outlined in the STOXX calculation guide available on stoxx.com