

# **S&P/NZX New Zealand Indices *Methodology\****

June 2015

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S&P Dow Jones Indices: Index Methodology

\* This methodology is not official until S&P Dow Jones Indices takes over the calculation and maintenance of the indices governed by this methodology document. This is currently scheduled to occur on June 22, 2015.

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# Introduction

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The S&P/NZX Indices are closely aligned with S&P Dow Jones Indices' global suite of indices, and are recognized internationally as New Zealand's principal equity index series.

The headline index is the S&P/NZX 50 Index, which is comprised of 50 of the largest and most traded companies listed in New Zealand. The S&P/NZX 50 Index covers approximately 90% of the New Zealand equity market by capitalization. Such characteristics ensure that the S&P/NZX 50 Index is representative of the New Zealand market while maintaining a limited number of eligible securities. It is an investable benchmark widely recognized by investment professionals, media and the general public.

## **Collaboration**

In June 2015, pursuant to an agreement between S&P Dow Jones Indices and NZX Limited, the existing suite of NZX Indices was co-branded and S&P Dow Jones Indices assumed responsibility for calculating, maintaining and licensing the indices. NZX continues to distribute and license the real-time and delayed index values via its data feed product.

With the introduction of the index series, New Zealand's indices have been placed at the forefront of the global market. The indices showcase the performance of the New Zealand equity market and sit alongside other leading international indices, including the S&P 500 (U.S.) and the S&P/ASX 200 (Australia), as some of the world's most transparent and investable equity benchmarks.

## **Index Family**

The index series includes a variety of benchmark, size-based, sector and thematic indices covering the various segments of the New Zealand equity market.

### ***Benchmark and Size-based Indices***

**S&P/NZX 50 Index.** The index measures the performance of the 50 largest index-eligible stocks listed on the Main Board (NZSX) of the NZX by float-adjusted market capitalization. Representative, liquid and tradable, it is widely considered New Zealand's preeminent benchmark index. The index is float-adjusted, covering approximately 90% of New Zealand equity market capitalization.

**S&P/NZX 50 Portfolio Index.** The index comprises the same constituents as the S&P/NZX 50 Index, but with a 5% cap on the float-adjusted market capitalization

weights of the constituents. The capped methodology is designed to provide exposure to a diversified portfolio that is more aligned with what a retail investor may hold.

**S&P/NZX 10 Index.** The index measures the performance of 10 of the largest New Zealand listed companies within the S&P/NZX 50 Index. Dual and Overseas listed companies are not eligible for index inclusion.

**S&P/NZX 15 Index.** The index measures the performance of 15 of the largest and most liquid New Zealand listed companies within the S&P/NZX 50 Index. Dual and Overseas listed companies are not eligible for index inclusion.

**S&P/NZX 20 Index.** The index measures the performance of 20 of the largest and most liquid securities on the NZX Main Board (NZSX) and serves as the underlying index for derivatives including NZX Futures and Options.

**S&P/NZX MidCap Index.** The index is designed to measure the performance of New Zealand's core mid-cap equity market.

**S&P/NZX SmallCap Index.** The index is designed to measure the performance of New Zealand's smaller listed companies that sit outside of the S&P/NZX 50 Index.

**S&P/NZX All Index.** The index is considered the total market indicator for the New Zealand equity market. It comprises all eligible securities quoted on the NZX Main Board (NZSX). Constituents are not screened for liquidity.

**S&P/NZAX All Index.** The index comprises all eligible securities quoted on the NZX Alternative Market (NZAX). The NZAX was developed to meet the needs of many smaller, but fast-growing companies in New Zealand.

### ***Sector Indices***

In June 2015, S&P Dow Jones Indices introduced a new series of sector indices based on the S&P/NZX All Index and the Global Industry Classification Standard (GICS<sup>®</sup>). The constituent securities for the sector indices are derived from the eligible pool of securities within the S&P/NZX All Index, which are then refined further through the GICS classification criteria. Incorporating 10 Sectors with 25 Industry Groups, 67 Industries, and 156 Sub-Industries, the GICS system allows New Zealand investors to compare the performance of its major industries with other international markets.

### ***Thematic Indices***

**S&P/NZX SciTech Index.** The index measures the performance of New Zealand listed companies engaged in the development and commercialization of new technologies. Eligible securities may be quoted on the NZX Main Board (NZSX) or the NZX Alternative Market (NZAX).

**S&P/NZX Morrison Index.** The index is comprised of the 10 largest infrastructure companies from the NZX Main Board (NZSX). Each eligible constituent is allocated a fixed, equal weight at each quarterly rebalancing.

**Smartshares Property ETF Index.** The index is designed to measure the performance of companies from New Zealand's property sector. Each eligible constituent is allocated a fixed, equal weight at each quarterly rebalancing.

**S&P/NZX Farmers Weekly Primary Sector Equity Index.** The index includes all New Zealand listed companies that are engaged in the primary industries of agriculture, horticulture, viticulture, aquaculture or forestry.

**S&P/NZX Farmers Weekly Primary Sector Investable Equity Index.** The index comprises the same constituents as the S&P/NZX Farmers Weekly Primary Sector Equity Index, but only those that are investable to the general public (i.e. excludes co-operatives in which shares may only be traded by participants).

**S&P/NZX Farmers Weekly Agriculture Equity Index.** The index includes all New Zealand listed companies that are engaged in the agriculture industry.

**S&P/NZX Farmers Weekly Agriculture Investable Equity Index.** The index comprises the same constituents as the S&P/NZX Farmers Weekly Agriculture Equity Index, but only those that are investable to the general public (i.e. excludes co-operatives in which shares may only be traded by participants).

*For a complete definition of Dual and Overseas listed securities, please refer to Eligibility Criteria.*

*Please refer to S&P Dow Jones Indices' Index Mathematics Methodology available at [www.spdji.com](http://www.spdji.com) for more detailed information on equal weight and capped weight index calculations.*

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

# Eligibility Criteria

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## **Index Eligibility**

Index constituents are drawn from the universe of ordinary equity stocks listed on the NZX.

## **Eligibility Factors**

**Listing.** Only stocks listed on either the NZX Main Board (NZSX) or NZX Alternative Market (NZAX) of the New Zealand Exchange are considered for inclusion in any of the S&P/NZX Indices.

Eligibility for certain indices is determined by the class of listing taken up by the issuer:

- **New Zealand Listed Issuer.** The primary listing is the NZX.
- **Dual Listed Issuer.** The issuer has a primary listing on both the ASX and NZX. This is also known as a dual primary listing.
- **Overseas Listed Issuer.** The issuer has a secondary listing that is domiciled or incorporated outside of New Zealand.

The following table details each index's eligible markets and listings.

Index	Eligible Market	Eligible Listings	
S&P/NZX 10 Index	NZSX	New Zealand listings only	
S&P/NZX 15 Index		NZSX	Dual and Overseas listings are eligible
S&P/NZX 20 Index			
S&P/NZX 50 Index			New Zealand listings only
S&P/NZX 50 Portfolio Index			
S&P/NZX All Index			
S&P/NZX MidCap Index			
S&P/NZX SmallCap Index			NZAX
S&P/NZX All Index			
S&P/NZX SciTech Index	NZSX and NZAX	Dual and overseas listings are eligible	
S&P/NZX Morrison Index	NZSX	New Zealand listings only	
Smartshares Property ETF Capital Index			
S&P/NZX Farmer's Weekly Agriculture Equity Index	NZSX and NZAX	Dual and Overseas listings are eligible	
S&P/NZX Farmer's Weekly Agriculture Equity Investable Index			
S&P/NZX Farmer's Weekly Primary Sector Equity Index			
S&P/NZX Farmer's Weekly Primary Sector Equity Investable Index			

**Eligible Securities.** All common and equity preferred stocks (which are not of a fixed income nature) are eligible for inclusion in the indices.

Hybrid stocks such as convertible stocks, bonds, warrants, and preferred stocks that provide a guaranteed fixed return are not eligible. Closed and open-ended equity funds that invest in a portfolio of securities are not eligible for index inclusion (e.g. ETFs, listed investment companies, etc.). Securities with restrictions on ownership that prevent a broad range of investors from trading the securities (e.g. co-operatives) are also ineligible for the S&P/NZX Indices, with the exception of the S&P/NZX Farmers Weekly Equity Indices.

Companies that are currently under consideration for merger or acquisition are not eligible for inclusion or promotion within the S&P/NZX index hierarchy.

**Market Capitalization.** Market capitalization is a key criterion for stock selection in the S&P/NZX sized-based indices. Stocks are included if they are large enough to meet the minimum ranking requirements for the representative indices within the New Zealand market.

The market capitalization criterion for stock inclusion in the sized-based indices is based upon the daily average market capitalization of a security over the last six months. The stock's closing price history (last six months), latest available shares on issue and the Investable Weight Factor (IWF) are the relevant variables for the calculation. The IWF is

a variable that is primarily used to determine the available float of a security for NZX listed securities.

**Quoted Shares Issued.** When considering the index eligibility of securities for inclusion or promotion into the S&P/NZX Indices, the number of index securities under consideration is based upon the latest available NZX quoted securities. For New Zealand listed securities this figure is purely based upon the latest available data from the NZX.

For Dual listed issuers, the number of securities used to determine index eligibility is derived by taking the total number of shares quoted and multiplying it by the proportion of the company's revenue that is generated in New Zealand. After initial index inclusion, the weighting basis of revenue generated in New Zealand is adjusted each year after the release of the company's latest annual results.

For Overseas listed issuers, the number of securities used to determine index eligibility is derived from the number of securities on the New Zealand register. This is determined by taking the most recent three-month average of securities held on the New Zealand register.

**Investable Weight Factor (IWF).** A stock's weight in an index is determined by its float-adjusted market capitalization. This is a function of current shares outstanding, the latest available stock price and the IWF. The IWF represents the float-adjusted portion of a stock's equity capital. Therefore any strategic holdings that are classified as either corporate, private or government holdings reduce the IWF which, in turn, results in a reduction in the float-adjusted market capital.

Shares owned by founders, directors of the company, trusts, venture capitalists and other companies are also excluded. These are also deemed strategic holders, and are considered long-term holders of a stock's equity. Any strategic shareholdings that are greater than 5% of total issued shares are excluded from the relevant float.

*Refer to Investable Weight Factor (IWF) in Index Maintenance, for further details on float/index weight-adjustment.*

**Liquidity.** The S&P/NZX 50 Index (and indices for which it is the index universe) have liquidity requirements to ensure that only stocks that are regularly traded are included.

- **Relative Liquidity.** Stocks must have a Relative Liquidity greater than half of the Market Liquidity over the six months of the review period.
- **Absolute Liquidity.** Stocks must have an Absolute Liquidity of greater than 2.5% over the six months of the review period.

$$\text{Relative Liquidity} = \frac{6 \text{ Month Median Value Traded}}{6 \text{ Month Average Float - Adjusted Market Capitalization}}$$

$$\text{Absolute Liquidity} = \frac{6 \text{ Month Total Value Traded}}{6 \text{ Month Average Float - Adjusted Market Capitalization}}$$

where:

*Relative Liquidity* is defined as security's total median daily value traded on the NZX Main Board (NZSX) over the last six months, divided by its average daily float-adjusted market capitalization.

*Absolute Liquidity* is defined as a percentage of a security's six-month average float-adjusted market capitalization traded on the NZX Main Board over the last six months.

*6 Month Average Float-Adjusted Market Capitalization* is the product of a company's float-adjusted shares and its six-month average closing price.

*Market Liquidity* is defined as the median value of the relative liquidities of all securities eligible for the S&P/NZX 50 Index which have a relative liquidity greater than zero.

A stock that has previously been excluded from the S&P/NZX 50 Index due to low liquidity must meet the above requirements for three consecutive quarterly rebalancings before it will be reconsidered for index inclusion.

To remain in the index on an ongoing basis, current constituents must have a Relative Liquidity above one-third of the Market Liquidity and an Absolute Liquidity of greater than 2.5%. Any constituent that fails either of these measures for two consecutive quarterly rebalancings is removed from the S&P/NZX 50 Index.

For the S&P/NZX 20 Index, the aforementioned Absolute Liquidity requirements are increased to 3.5%.

S&P Dow Jones Indices believes turnover in index membership should be avoided when possible. At times a company may appear to temporarily violate one or more of the addition criteria. However, the addition criteria are for addition to an index, not for continued membership. As a result, an index constituent that appears to violate criteria for addition to that index will not be deleted unless ongoing conditions warrant an index change.

**Sector Classification.** Stocks are classified according to their GICS sector. The sectors, consistent throughout all S&P-branded indices, are Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunication Services and Utilities. A stock's GICS classification is determined according to a number of measures, including revenues, earnings and the market's perception of a company.

*For more information on GICS, please refer to S&P Dow Jones Indices' GICS Methodology available at [www.spdji.com](http://www.spdji.com).*

## Timing of Intra-Quarter Constituent Changes

**Announcements to Market.** Changes to index composition are generally made two-to-five business days in advance of index implementation of anticipated corporate events whenever practical, bearing in mind that the timing of such events is occasionally uncertain. Notification will be made outside of trading hours by way of an Index Announcement.

**Intra-Quarter Additions.** Between rebalancing dates, an index addition is generally made only if a vacancy is created by an index deletion. This rule applies to the S&P/NZX 50 Index and all related indices that sit higher within the index hierarchy. Therefore, it is not applicable to the S&P/NZX MidCap Index, S&P/NZX SmallCap Index, S&P/NZX SciTech Index, S&P/NZX All Index or the S&P/NZAX All Index. Index additions are made according to market size and liquidity. An initial public offering (IPO) is added to the index only when an appropriate vacancy occurs and is subject to proven liquidity for at least two months. An exception may be made for extraordinary large offerings where sizeable trading volumes justify index inclusion.

Intra-quarter additions are also made to the S&P/NZX Morrison Index if a vacancy is created and there is an eligible infrastructure company to replace it. When a company is added intra-quarter, it assumes the weight of the company it replaces.

**Intra-Quarter Deletions.** Deletions can occur between index rebalancing dates due to acquisitions, mergers and spin-offs or due to suspension or bankruptcies. The decision to remove a stock from the index will be made once there is sufficient evidence that the transaction will be completed. Stocks that are removed due to mergers & acquisitions activity are removed from the index at the cash offer price for cash-only offers. Otherwise the best available price in the market is used.

## Thematic Indices Eligibility Criteria

**S&P/NZX SciTech Index.** To qualify for inclusion in the index, a company must source a substantial proportion of its revenue from, or engage a substantial proportion of their expenditure or assets towards, interests in the research, development or commercialization of science or new technologies, in one of the following fields:

- **Biotechnology.** Medical treatments, pharmaceuticals, health supplements, medical equipment or supplies for human, agricultural, or horticultural applications.
- **Information Technology.** Information systems technology, including the development of software and electronic components.
- **Industrial Technology.** Systems and equipment for applications including engineering, manufacturing, transport and energy.

**S&P/NZX Morrison Index.** To qualify for inclusion in the index, a company must have revenue derived from the operation of infrastructure (as opposed to its construction). Infrastructure may include, but is not limited to: Telecommunications (e.g. carriers and network operators), Utilities (e.g. generation of electricity, transmission, and the

distribution of electricity, gas, and water), Energy (e.g. oil and gas), Transportation (e.g. airports, sea ports, road and rail freighting), Social (e.g. healthcare and nursing homes), Diversified (e.g. multiple sources of the above such as infrastructure investment vehicles). The liquidity requirements for the S&P/NZX 50 Index are also applied to the S&P/NZX Morrison Index.

**Smartshares Property ETF Index.** To qualify for inclusion in the index, a company must be classified in the GICS Real Estate Industry Group (4040). Non-constituents require a minimum float-adjusted market capitalization of NZ\$ 200 million at the time of review for addition to the index. Current constituents require a float-adjusted market capitalization of NZ\$ 100 million at the time of review to remain in the index.

**S&P/NZX Farmer's Weekly Primary Sector Equity Indices.** To qualify for inclusion in these indices, companies should source a substantial proportion of their revenue from, or engage a substantial proportion of their business activities in, the primary sector. The primary sector is defined as:

- **Agriculture.** The cultivation of soil, crops and livestock.
- **Horticulture.** The cultivation of fruits, vegetables, flowers, or ornamental plants.
- **Viticulture.** The cultivation of grapes.
- **Aquaculture.** The cultivation of marine or freshwater fish or shellfish.
- **Forestry.** The cultivation, maintenance and development of forests.

**S&P/NZX Farmer's Weekly Agriculture Equity Indices.** To qualify for inclusion in these indices, companies must source a substantial proportion of their revenue from, or engage a substantial proportion of their business activities in, agriculture.

# Index Construction

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## **Approaches**

The S&P/NZX Indices are calculated using a base-weighted aggregate methodology. That means the level of an index reflects the total market value of all the component stocks relative to a particular base period. The total market value of a company is determined by multiplying the price of its stock by the number of shares available after float (IWF) adjustment. An indexed number is used to represent the result of this calculation in order to make the value easier to work with and track over time. It is much easier to graph a chart based on indexed values than one based on actual market values.

## **Index Calculations**

On any given day, the index value is the quotient of the total available market capitalization of the index's constituents and its divisor. Continuity in index values is maintained by adjusting the divisor for all changes in the constituents' share capital after the base date. This includes additions and deletions to the index, rights issues, share buybacks and issuances, spin-offs, and adjustments in availability. The divisor's time series is, in effect, a chronological summary of all changes affecting the base capital of the index. The divisor is adjusted such that the index value at an instant just prior to a change in base capital equals the index value at an instant immediately following that change.

*Please refer to S&P Dow Jones Indices' Index Mathematics Methodology document available at [www.spdji.com](http://www.spdji.com) for details on index level calculations.*

# Index Maintenance

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Changes in the index level reflect changes in the total market capitalization of the index that are caused by price movements in the market. They do not reflect changes in the market capitalization of the index, or of the individual stocks, that are caused by corporate actions such as dividend payments, stock splits, distributions to shareholders, mergers, or acquisitions. When a corporate action affects the price of a security – such as when the price drops on a special distribution ex-date – the price of the security is adjusted at the open on the ex-date and the index divisor is adjusted to offset any change in the total market value of the index.

When a stock is replaced by another stock, the index divisor is adjusted so that the change in index market value that results from the addition or deletion does not change the index level.

## **Rebalancing**

The S&P/NZX Indices are rebalanced quarterly, effective after the market close of the third Friday of March, June, September and December. The rebalancing reference dates are after the market close on the last trading day of February, May, August and November, respectively. Both market capitalization and liquidity are assessed using the previous six months' worth of data to determine index eligibility. Shares and Investable Weight Factor (IWF) updates are also applied regularly.

Announcements are made on the second Friday of each rebalancing month; therefore, a one-week notice period is provided before the rebalancing takes effect.

Eligible stocks are considered for index inclusion based on their rank relative to the stated quota of securities for each index within the S&P/NZX hierarchy. In order to limit the level of index turnover, eligible securities are only considered for index inclusion in fixed constituent count indices once another stock is removed due to a sufficiently low rank and/or liquidity, based on the float-adjusted market capitalization. Potential index additions and deletions must satisfy buffer requirements in terms of the rank of the stock relative to a given index. The buffers are established to limit the level of index turnover that may take place at each quarterly rebalancing, maximizing the efficiency and limiting the cost associated with holding the index portfolio.

Rank buffers are applied for addition and deletion in the S&P/NZX Indices. If a non-constituent ranks higher than the buffer for a specific index at a quarterly review, it is added to the index. Similarly, if an index constituent fails the deletion buffer rule then it is removed from the index.

Index	Rank Buffer for	
	Addition	Deletion
S&P/NZX 10 Index	7 <sup>th</sup> or higher	14 <sup>th</sup> or lower
S&P/NZX 15 Index	13 <sup>th</sup> or higher	18 <sup>th</sup> or lower
S&P/NZX 20 Index	16 <sup>th</sup> or higher	24 <sup>th</sup> or lower
S&P/NZX 50 Index	44 <sup>th</sup> or higher	56 <sup>th</sup> or lower
S&P/NZX 50 Portfolio Index	44 <sup>th</sup> or higher	56 <sup>th</sup> or lower
S&P/NZX Morrison Index	7 <sup>th</sup> or higher	12 <sup>th</sup> or lower

An IPO may be considered for inclusion in the S&P/NZX 50 Index once it has at least 20 trading days' of data available at the quarterly review.

**Share Updates.** For all S&P/NZX Indices, the share counts for all index constituents are updated quarterly and are rounded to the nearest thousand ('000). Updates to the number of issued shares are considered if the change is at least 5% of the shares outstanding.

Intra-quarter share changes are implemented at the effective date or as soon as reliable information is available. However, such changes only take place in the following circumstances:

- Changes in a company's float-adjusted shares of 5% or more due to market-wide shares issuance;
- Right's issues, bonus issues and other major corporate actions and;
- Share issues resulting from index companies merging and major off-market buy-backs.

Share changes due to mergers or acquisitions are implemented when the transaction occurs, even if both of the companies are not in the same index and regardless of the size of the change.

*For more information regarding the above treatment, please see S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*

Notification of intra-quarter changes to the number of issued shares generally takes place three business days prior to the index implementation date.

## Constituent Capping

Weight caps are applied to the constituents of the following indices at each quarterly rebalancing.

Index	Constituent Stock Weight Cap
S&P/NZX 15 Index	30%
S&P/NZX 20 Index	15%
S&P/NZX 50 Portfolio Index	5%
S&P/NZX SciTech Index	10%
S&P/NZX Farmer's Weekly Agriculture Equity Index	20%
S&P/NZX Farmer's Weekly Agriculture Equity Investable Index	20%
S&P/NZX Farmer's Weekly Primary Sector Equity Index	15%
S&P/NZX Farmer's Weekly Primary Sector Equity Investable Index	15%

For the capped indices above, constituents' index shares are calculated using closing prices on the second Wednesday of the rebalancing month as the reference price. Index shares are calculated and assigned to each stock to arrive at the weights determined on the reference date. Since index shares are assigned based on prices one week prior to rebalancing, the actual weight of each stock at the rebalancing may differ from these weights due to market movements.

## Corporate Actions

Maintaining the S&P/NZX Indices includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to restructurings or spin-offs. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the index. Other corporate actions, such as share issuances, change the market value of an index and require an index divisor adjustment to prevent the value of the index from changing.

Adjusting the index divisor for a change in market value leaves the value of the index unaffected by the corporate action. This helps keep the value of the index accurate as a barometer of stock market performance, and ensures that the movement of the index does not reflect the corporate actions of the companies in it. Divisor adjustments are made after the close of trading and after the calculation of the closing value of the index. Any change in the index divisor also affects the corresponding sub-indices and divisors. Each sub-index is maintained in the same manner as the headline index.

Corporate actions such as splits, stock dividends, spin-offs, rights offerings, and share changes are applied on the ex-date.

The following table summarizes the types of index maintenance adjustments and indicates whether a divisor adjustment is required.

Events	Index Treatment	Divisor Adjustment?
Cash dividend	Applied only to gross return indices	No
Special cash dividend	Price adjustment needed	Yes
Stock dividend and/or split	Shares are multiplied by and price is divided by the split factor	No
Stock dividend from class A shares into existing class B shares, both of which are included in the index	Adjustment for price of A; adjustment for shares in B	Yes
Stock dividend of different class, same company and is not included in the index	Price adjustment	Yes
Reverse split	Adjustment for price and shares	No
Rights offering	Adjustment for price and shares	Yes
Rights offering for a new line	Adjustment for price	Yes
New share issuance	Adjustment for shares	Yes
Reduction of capital	Share adjustment	Yes
New addition to index	Share adjustment	Yes
Deletion from index	Share adjustment	Yes
Merger (acquisition by index company for stock)	Share increase	Yes

*The above table applies to float-adjusted market capitalization weighted indices only. For more information on corporate actions and the effect on the divisor for alternatively weighted indices please refer to S&P Dow Jones Indices' Index Mathematics Methodology document available at [www.spdji.com](http://www.spdji.com).*

*For more information, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*

### **Investable Weight Factor (IWF)**

All issues in the S&P/NZX Indices are assigned a float factor, called an Investable Weight Factor. The IWF ranges between 0 and 1 and is an adjustment factor that accounts for the publicly available shares of a company. The company's adjusted market capitalization determines an equity issue's relative weight in the index.

*Please refer to S&P Dow Jones Indices' Float Adjustment Methodology for further details.*

# Index Data

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## **Gross Return Indices**

Each index has a gross return counterpart, which assumes cash dividends are reinvested in the index after the market close on the ex-dividend date (dividend imputation credits are not included in the gross return calculations).

In addition to the gross return series, S&P Dow Jones Indices calculates a gross with imputation (GWI) return series. The GWI return series follows the same methodology as the gross return calculation, but reinvests any imputation credits attached to a regular dividend.

*For more information on index calculations, please refer to S&P Dow Jones Indices' Index Mathematics Methodology document located on our Web site, [www.spdji.com](http://www.spdji.com).*

# Index Governance

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## **Index Committee**

The S&P/NZX Index Committee maintains the indices. The Index Committee is composed of full-time employees of S&P Dow Jones Indices and the NZX. The Index Committee meets quarterly. At each meeting, the Index Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

*For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*

# Index Policy

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## **Announcements**

All index constituents are evaluated daily for data needed to calculate index levels and returns. All events affecting the daily index calculation are typically announced 30 days in advance via the Index Corporate Events report (.SDE), delivered daily via ftp to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients.

Index methodology is constantly under review for best practices, and any changes are announced well ahead of time via the Web site and email to all clients.

Market-sensitive announcements, including additions or deletions of stocks, are normally made when markets are closed.

*For more information on S&P Dow Jones Indices' announcements, please refer to the Announcement Policy found on our Web site, [www.spdji.com](http://www.spdji.com).*

## **Pro-forma Files**

In addition to the corporate events file (.SDE), S&P Dow Jones Indices provides constituent pro-forma files each time the indices rebalance. The pro-forma file is typically provided daily five business days in advance of the rebalancing date and contains all constituents and their corresponding weights and index shares effective for the upcoming rebalancing. Since index shares are assigned based on prices one week prior to the rebalancing, the actual weight of each stock at the rebalancing differs from these weights due to market movements.

*Please visit [www.spdji.com](http://www.spdji.com) for a complete schedule of rebalancing timelines and pro-forma delivery times.*

## **Holiday Schedule**

The indices are calculated daily, throughout the calendar year. The only days the indices are not calculated are on days when the NZX is officially closed.

*A complete holiday schedule for the year is available on the NZX Web site at [www.nzx.com](http://www.nzx.com).*

## **Unscheduled Market Closures**

In situations where the exchange is forced to close early due to unforeseen events, such as computer or electric power failures, weather conditions or other events, S&P Dow Jones Indices will calculate the closing price of each index based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each security before the exchange closed. If the exchange fails to open due to unforeseen circumstances, S&P Dow Jones Indices treats this closure as a standard market holiday. The index will use the prior day's closing prices and shift any corporate actions to the following business day. If the exchange fails to open, or in other extreme circumstances, S&P Dow Jones Indices may determine not to publish the index for that day.

*For further information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*

## **Recalculation Policy**

S&P Dow Jones Indices reserves the right to recalculate an index under certain limited circumstances. S&P Dow Jones Indices may choose to recalculate and republish an index if it is found to be incorrect or inconsistent within two trading days of the publication of the index level in question for one of the following reasons:

1. Incorrect or revised closing price
2. Missed corporate event
3. Late announcement of a corporate event
4. Incorrect application of corporate action or index methodology

Any other restatement or recalculation of an index is only done under extraordinary circumstances to reduce or avoid possible market impact or disruption as solely determined by the Index Committee.

*For more information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Index Methodology document located on our Web site, [www.spdji.com](http://www.spdji.com).*

## **Real-Time Calculation**

Real-time, intra-day, index calculations are executed for a number of S&P/NZX price and gross return indices, with index values updated every 30 seconds as constituent prices change throughout the course of the day. Real-time indices are not restated.

*For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*

# Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com), major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

## Tickers

Tickers for the primary indices are shown in the following table.

Index	Return Type	Bloomberg	Reuters
S&P/NZX 10 Index	Price Return Gross Return	NZSE10 NZSE10G	.NZ10 .NZ10G
S&P/NZX 15 Index	Price Return Gross Return	NZSX15 NZSX15G	.NZ15C .NZ15
S&P/NZX 20 Index	Price Return	NZX20	.NZ20
S&P/NZX 50 Index	Price Return Gross Return	-- NZSE50FG	.NZ50C .NZ50
S&P/NZX 50 Portfolio Index	Price Return Gross Return	NZSEPOFF NZSEPOFG	.NZC50C .NZC50
S&P/NZX All Index	Price Return Gross Return	NZSE NZSEG	.NZCI .NZGI
S&P/NZX MidCap Index	Price Return Gross Return	NZSEMC NZSEMCG	.NZMC .NZMGC
S&P/NZX SmallCap Index	Price Return Gross Return	NZSESC NZSESCG	.NZSC .NZSCG
S&P/NZAX All Index	Price Return Gross Return	NZSXAX NZSXAXG	.NZAUC .NZAU
S&P/NZX SciTech Index	Price Return Gross Return	NZXTS NZXTSG	.NZTS .NZTSG
S&P/NZX Morrison Index	Price Return Gross Return	MOR MORGP	.NZMOR --
S&P/NZX Farmer's Weekly Agriculture Equity Index	Price Return Gross Return	-- --	.NZFWA .NZFWAG
S&P/NZX Farmer's Weekly Agriculture Equity Investable Index	Price Return Gross Return	-- --	.NZFWAI .NZFWAIG
S&P/NZX Farmer's Weekly Primary Sector Equity Index	Price Return Gross Return	-- --	.NZFWPP .NZFWPPG
S&P/NZX Farmer's Weekly Primary Sector Equity Investable Index	Price Return Gross Return	-- --	.NZFWPI .NZFWPIG

**FTP**

Daily stock level and index data are available via FTP subscription.

*For product information, please contact S&P Dow Jones Indices,  
[www.spdji.com/contact-us](http://www.spdji.com/contact-us).*

**Web site**

*For further information, please refer to S&P Dow Jones Indices' Web site at  
[www.spdji.com](http://www.spdji.com).*

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