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CES SCHK Moat Index

Description	The index aims to track the performance of HK high quality companies with economic moat (such as exclusive franchise, brand premium, network effect & cost advantage, that cannot be easily replicated by competitors), which creates value to shareholders.
Index Universe	<ul style="list-style-type: none">• Stocks listed on the Main Board of SEHK and eligible for Southbound Trading under Stock Connect• Listing history more than 3 months• Average stock price per share in the past 12 months above \$1
Selection Criteria	<ul style="list-style-type: none">• Liquidity Screen. Exclude stocks with average daily turnover (ADT) less than HK\$10M in the past 12 months• Moat Screen. Exclude stocks that Return on Invested Capital (ROIC) below Weighted Average Cost of Capital (WACC) for 3 years or above out of past 5 years (i.e. Economic Value Added spread equals negative)• Spread Screen. Following the screens above, rank securities by “5 year middle average spread” (i.e. averaging the spread after excluding the maximum and minimum spread within 5 years), and top 40 are selected as the constituents of Index
No. of stocks	40
Buffer zone	±20%
Calculation Methodology	<ul style="list-style-type: none">• Free float-adjusted market capitalization weighted• Each constituent's weight is capped at 5%
Review Frequency	Yearly
End of Day Index (Currency)	HKD
Base Value	2,000
Base Date	30 December 2011
Dissemination	Once a day, after the close of trading

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