



中華證券交易服務有限公司

CHINA EXCHANGES SERVICES
COMPANY LIMITED

CES Foreign A-Shares Choice Index Methodology

Aug 2023



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Preface

China Exchanges Services Company Ltd. (CESC) has appointed Shenzhen Securities Information Co., Ltd. (SSIC) for index calculation, maintenance and dissemination. The index methodology is developed by mutual agreement between CESC and SSIC.

The CES Foreign A-Shares Choice Index (CES Foreign A-Shares Choice) is a price return index, aims to track the performance of the 50 A-shares with largest market capitalization held by foreign investors via Stock Connect.

Index Name	Launch Date	Constituents
CES Foreign A-Shares Choice	24-05-2019 ¹	Stocks listed on SSE and SZSE which are eligible for Northbound Trading under Stock Connect.

¹ The CES Foreign A-Shares Choice is calculated on real-time basis starting from 22 Aug 2023.

1. Index Name and Code

Index Name	Abbreviation	Index Currency	Index Code
CES Foreign A-Shares Choice Index	CES Foreign A-Shares Choice	CNY	CESFAC
CES Foreign A-Shares Choice Total Return Index	CES Foreign A-Shares Choice TR	CNY	FACCNYG

2. Base Date and Base Value

The base date is June 30, 2017. The base value is 2000.

3. Index Eligibility

3.1 Index Universe

The index universe for CES Foreign A-Shares Choice is composed of stocks listed on SSE and SZSE which are eligible for Northbound Trading under Stock Connect.

3.2 Selection Criteria

The constituents are selected as follows:

- **Liquidity Screen:** Eligible stocks must be in the highest 80% of the stock universe when ranked by daily average trading value.
- **Shareholding Screen:** Select the top 50 stocks ranked by the Stock Connect's foreign shareholding[^] are chosen for inclusion in the index.

[^] *The Stock Connect's foreign shareholding of an individual A-share refers to the average of month-end market values of foreign investors' shareholding for the past 6 months of any review period.*

4. Index Calculation

The indices are calculated according to the Paasche weighted method, real-time calculation is carried out daily according to the following formula:

real time index = last trading day closing index

$$\times \frac{\sum (\text{constituent's real time stock price} \times \text{No. of shares} \times \text{adjustment factor} \times \text{exchange rate})}{\sum (\text{constituent's last trading day closing price} \times \text{No. of shares} \times \text{adjustment factor} \times \text{exchange rate})}$$

For adjustment method of No. of shares, please refer to *Index Calculation and Maintenance Methodology*. For adjustment factor, please refer to “6. Adjustment for Constituents’ Weights”.

5. Periodic Review of Constituents

5.1 Periodic Review

The indices are reviewed semi-annually. Periodic reviews are implemented on the next trading day after market closing of the second Friday in June and December each year. Announcements of periodic reviews are published two weeks before implementation.

After new constituents are determined, remaining stocks will be ranked by factor weight in descending order and 5% of the total number of index constituents will be selected as reserved stocks.

5.2 Ongoing Adjustment

If a constituent is subject to delisting or no longer eligible for Trading under Stock Connect, it will be removal from the index, and the top-ranking stock in the reserve list shall be added into the index accordingly.

6. Adjustment for Constituents’ Weights

The index is foreign shareholding’s market cap. weighted.

In index calculation, the adjustment factor is designed to set the weight of individual constituent no more than 10% in each period review.

The adjustment factor is recalculated twice a year and implemented in periodic reviews. The adjustment factor generally remains constant before next periodic review.

7. Amendments and Supplements to Index Methodology

In response to market development and clients' feedback, CESC and SSIC will amend or supplement the Index Methodology from time to time as appropriate. Proposed changes will be announced to the market prior to implementation.

8. Information Disclosure

To maintain the objectiveness, independence and authority of the index, CESC has adopted a stringent information disclosure policy to ensure transparency, openness and fairness.

- Any personnel of CESC and SSIC are forbidden to divulge any information to any third party, including private media interviews before such information is disclosed to the public.
- Media used for information disclosure includes but not limited to website of CESC and SSIC.

Contact Us

For further details, please contact:

Index Licensing Enquiries

China Exchanges Services Company Limited

50/F, One Exchange Square 8 Connaught Place, Central, Hong Kong

Tel: 852 2803 8200

Fax: 852 2868 3770

Email: cescinfo@cesc.com

Website: <https://www.cesc.com/>

Customer Service

Shenzhen Securities Information Co., Ltd.

Shenye Center, 5054 Shennan East Road, Shenzhen

Tel: 0086 755 8324 3719

Fax: 0086 755 8324 3723

Email: index.service@cninfo.com.cn

Website: <http://www.cnindex.com.cn/>