

FTSE Russell for wealth advisors

# Know your index

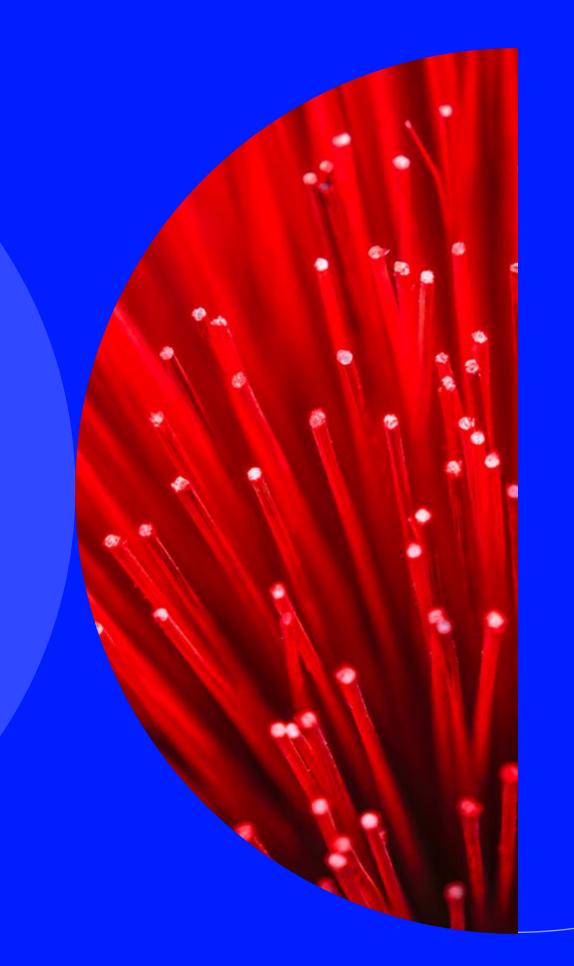




### Who is this for?

Investors seeking a window on China's domestic A-Share market





# What does the index do?

### LARGE-CAP FLAGSHIP

underlies some of the world's biggest China equity exchangetraded funds (ETFs)

#### DESIGNED

to be tradeable and representative of the A-Share market

FTSE CHINA A50 INDEX

#### **INDEX PROFILE**

## FTSE China A50 Index

This index underlies some of the world's biggest China equity exchange-traded funds (ETFs). It is designed to be both representative of the A-Share market and tradeable.

A-Shares are shares of companies incorporated in mainland China that trade on the Shanghai or Shenzhen stock exchanges and are quoted in the domestic Chinese currency, the renminbi. Other types of Chinese shares trade on 'offshore' (i.e., non-mainland) exchanges and are denominated in foreign currency.

Discover more about our <u>capabilities and history with indices in China</u> here.



## Five reasons to consider this index

Representative

Relatively concentrated with only 50 stocks, this index is representative of the broader A-Share market.

Typically, it represents over a third of the broader China-A Share market, based on full market capitalisation.

Historically, it has been highly correlated to the broader A-Share market.

**2.** 

### Capitalisationweighted

The most popular stock index methodology where the largest stocks get the largest weightings. This generates a predictable index composition and comes with relatively low turnover.

**3**.

### Accessible

In the past, China's capital controls meant that only domestic investors could buy stocks directly in the index. Since 2018, foreign investors have been able to buy Chinese A-Shares using the so-called 'Northbound China Stock Connect' scheme. All the constituents of the index are eligible for purchase under this scheme.

4.

### Liquid

Designed to be liquid, we incorporate only the largest 50 A-Shares. Constituents must undergo tests for minimum size, liquidity and free float. We also incorporate foreign ownership limits and market access constraints.

**5.** 

### **Transparent**

We place great importance on applying a transparent, objective and consistent approach when managing our indices.

## How we build and maintain this index

Collect all A-Shares

We start by compiling a list of all A-Share classes of equity that trade on the Shanghai and Shenzhen stock exchanges.

Rank and select top 50

We rank those A-Shares by their full market capitalisation and select the largest 50 for inclusion in the index. Adjust for free float/FOL

We adjust the weightings of the constituents for free float (the portion of each company's share base available for public purchase), and foreign ownership limits (FOL). An FOL of 28% is baked into the design.

Screen for liquidity

We screen out any shares that fail to meet minimum liquidity requirements, or which have been allocated 'special status' by the Shanghai or Shenzhen stock exchanges — specifically, companies in financial trouble or facing unusual difficulties.

### Quarterly maintenance

We review the index in **March**, **June**, **September** and **December**.

Capitalisation-weighted indices require regular review as some stocks grow and enter the index while others shrink and drop out. Our index rules are designed to provide stability in the selection of constituents while ensuring they continue to be representative of the market. We review the selection using 'buffer zones'. A non-constituent will be inserted at the quarterly review if it rises to 40th or above in the quarterly ranking of stocks by their full market capitalisation; a constituent will be deleted from the index if it falls to 61st or below in the quarterly ranking.

## A true picture of the market

Think of our index data as being something like a computer chip: It powers what happens inside the investment products you buy. So it's important to distinguish between the index (data) and the investment product itself.

#### **WHAT WE DO**

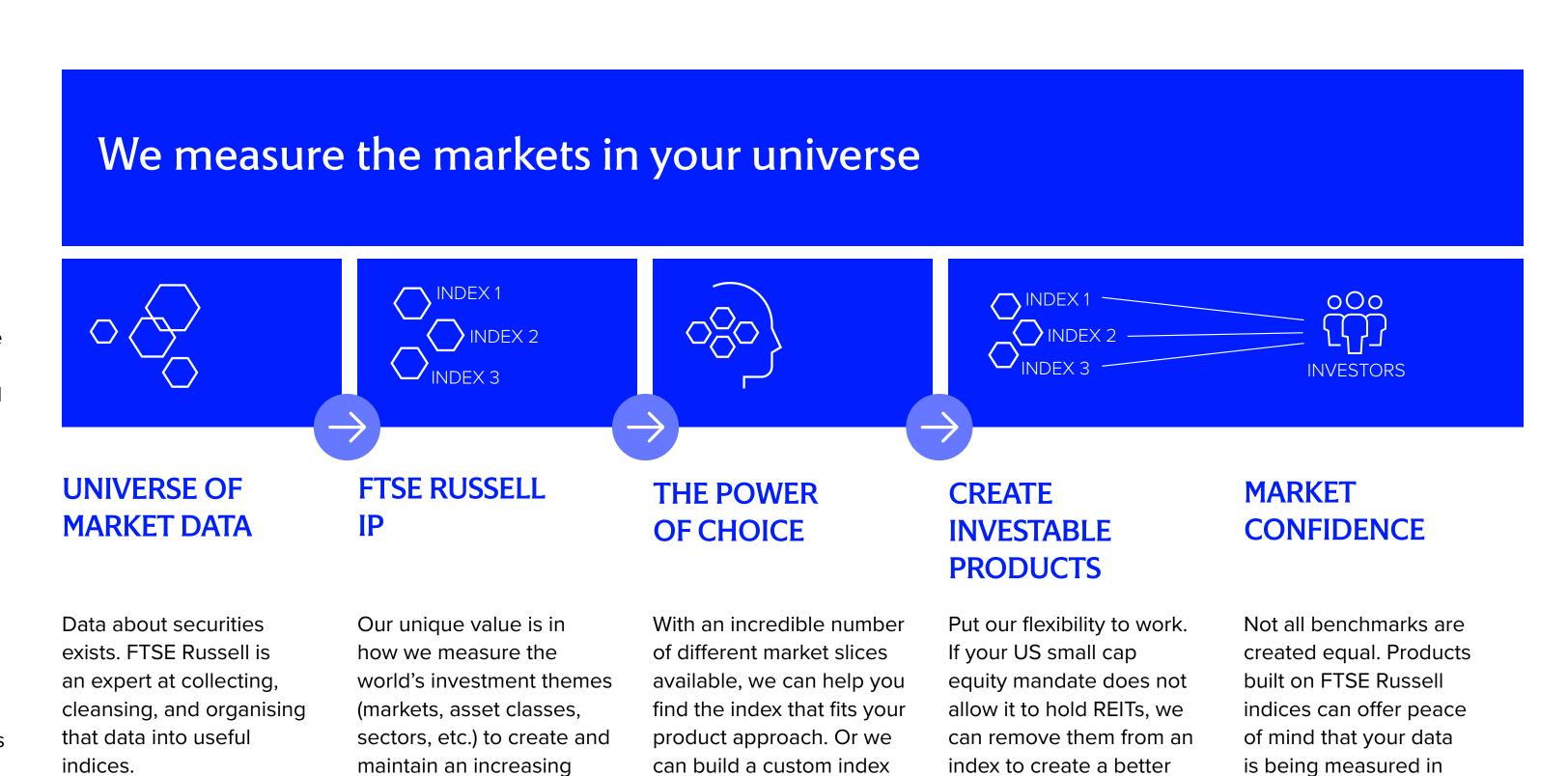
We collect information on shares and bonds, as well as other financial market data. We then cleanse and organise it into groups of securities that have a stated objective. We call these groups of securities an index (or a benchmark, for indices that are broad and widely used in performance measurement).

#### **OUR DIFFERENCE**

How we design and calculate financial market indices then becomes our intellectual property (IP). We provide the IP for thousands of indices that cover the global equity and fixed income markets in different ways.

But we don't use this IP to manage assets ourselves, nor do we offer any investable products. We work with asset managers and other product providers who use our indices in their ETFs, mutual funds, and structured products.

By operating at arm's length from product providers, and with a multi-decade track record in calculating indices fairly and objectively, we help give confidence to investors and traders from around the world.



to meet your goals.

an objective and

reliable way.

measurement for that

investment vehicle.

FTSE CHINA A50 INDEX

number of available indices.

#### **About FTSE Russell**

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Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

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