

# BURSA INSTI SECTORIAL SERIES FTSE BURSA MALAYSIA INDEX SERIES INDEX REVIEW METHODOLOGY

The FTSE Bursa Malaysia Index Series was launched in 2006, encompassing a broad range of indexes covering all eligible companies listed on the Bursa Malaysia Main and ACE Markets. For a better understanding of the index review methodology, Bursa Malaysia together with CGS-CIMB, had invited FTSE Russell to provide a more in-depth insight into the construction of the index and its constituent selection process. Here are some of the key takeaways from the webinar.

Tradable Indices	Benchmark Indices
FTSE Bursa Malaysia KLCI	FTSE Bursa Malaysia EMAS Index
FTSE Bursa Malaysia Mid 70 Index	FTSE Bursa Malaysia EMAS Industry Indices
FTSE Bursa Malaysia Top 100 Index	FTSE Bursa Malaysia Small Cap Index
FTSE Bursa Malaysia Hijrah Shariah Index	FTSE Bursa Malaysia EMAS Shariah Index
FTSE Bursa Malaysia Asia Palm Oil Plantation Index USD	FTSE Bursa Malaysia ACE Index
FTSE Bursa Malaysia Asian Palm Oil Plantation Index MYR	FTSE Bursa Malaysia Palm Oil Plantation Index

- The FTSE Bursa Malaysia Index Series launched in 2006, is a broad range of indexes that captures over 99% of investable market cap listed on the Bursa Malaysia Main and ACE market. It uses a rule-based approach to construct and maintain results. Constituents are screened to ensure liquidity and weighted. It is monitored by a governance structure that is supported by both internal and external advisory committee to ensure the integrity and relevance of the indexes.
- The series is divided into different size segments, i.e. all cap, large-cap, mid-cap, small-cap and fledgling stocks as well as Shariah-compliant indices and themed indices i.e. the palm oil plantation sector.
- The index is constructed based on:
  - **Eligibility:** All classes of ordinary shares listed on the Main and ACE Market (except equity/non-equity investment instruments, PN17 designated securities, convertible preference shares and loan stocks) are excluded until converted.
  - **Free float** (share capital that is freely available for trading): A Free float of 15% or below are excluded from the index.
    - Restricted shareholding and portfolio holding of >30% from a pension fund, insurance fund or investment companies will be excluded for the free float calculation.
    - Restricted shareholding includes shareholding (regardless of holding) from state, regional, municipal, local governments, directors, senior executives, managers and their family, as well as employee share plans and strategic holders.
    - Free float will be reviewed every quarter sourced from annual reports, disclosures on Bursa website, company website and FTSE's vendors.
    - Actual free float =  $1 - \Sigma(\text{restricted shareholding} + \text{portfolio holding of } >30\%)$

- **Median liquidity:** It must fulfil the thresholds of:
  - For a non-constituent: Must trade  $\geq 0.05\%$  of its free float-adjusted shares in issue based on its median daily trade per month in 10/12 months
  - For an existing constituent: Must trade  $\geq 0.04\%$  of its free-float adjusted shares in issue based on its median daily trade per month in 8/12 months
  - For new issues: Must trade  $\geq 0.05\%$  of its free float-adjusted shares in issue based on its median daily trade on a pro-rata basis since listing with a required minimum 20 trading days.
  - It is reviewed semi-annually in June and December. The review data cut off is on the Monday, 4 weeks before the review effective date. The next review effective date is on 22 June 2020, followed by 21 December 2020.
  - Any constituent changes will be implemented after the close of business on the third Friday of June and December.
  - Review changes are announced on the Thursday before the first Friday of the review month. This ensures adequate notice period before review changes are implemented.
- **Size:** The largest eligible companies ranked by full market capitalisation, i.e. before the application of any investability weightings, comprising 98% of all companies will be included in the FTSE Bursa Malaysia EMAS Index.
- Reserve List is the next five highest-ranking companies that are not constituents of the FTSE Bursa Malaysia KLCI. The reserve list will be included as a constituent if any existing constituents are dropped in between the review periods, i.e. due to a corporate exercise.