

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
Rebalance 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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