

## Guide for IDX-MES BUMN 17 Index

(Appendix of IDX Announcement No.: Peng-00101/BEI.POP/04-2021 dated 22 April 2021)

### 1. INDEX INFORMATION

#### 1.1. General Information

<b>Index Name</b>	<b>IDX-MES BUMN 17</b>
<b>Index Code</b>	IXMESBUMN
<b>Description</b>	Index that measures the stock price performance of 17 sharia stocks of State-Owned Enterprises of Indonesia (SOEs) and their affiliates with high liquidity and large market capitalization.
<b>Counterparty</b>	Joint collaboration between Indonesia Stock Exchange (IDX) and Islamic Economic Society / <i>Masyarakat Ekonomi Syariah</i> (MES).
<b>Methodology</b>	<i>Capped Free Float Adjusted Market Capitalization Weighted</i> On each periodic review, the constituent weight is capped so the highest weight in the index is no more than 20%.
<b>Base Date</b>	December 30, 2015 (Base Value = 100)
<b>Launch Date</b>	April 29, 2021

#### 1.2. General Selection Criteria

<b>Universe</b>	Constituents of Indonesia Sharia Stock Index (ISSI) which are State-Owned Enterprises (SOEs) of Indonesia and their affiliates.
<b>Selection Criteria</b>	Index constituents are selected by the criteria of quantitative and qualitative selection based on trading liquidity on regular market, market capitalization, fundamental performance, compliance, etc.

### 2. INDEX MAINTENANCE

#### 2.1. Periodic Evaluation

	<b>Major Evaluation</b>	<b>Minor Evaluation</b>
<b>Evaluation Period</b>	May and November	February and August
<b>Effective Date</b>	First trading day of June and December	First trading day of March and September

	Major Evaluation	Minor Evaluation
<b>Process / Purposes</b>	Select the stocks of index constituents.	
	<ul style="list-style-type: none"> <li>- Adjust changes in the number of listed shares.</li> <li>- Adjust stock weights based on their free float ratios.</li> <li>- Adjust the stock weights based on the cap.</li> </ul>	
<b>Announcement</b>	5 exchange days or later prior to the effective date, depends on announcement date of Sharia Securities List from the Financial Services Authority.	

## 2.2. Incidental Evaluation

Besides the routine evaluation, incidental evaluation can be done at any time if there are significant changes in the number of shares, delisting, or if there is any other information that has significant impact on an index constituent.

## 3. CONSTITUENT SELECTION PROCESS

### 3.1. Selection Universe

Stock selection universe used for IDX-MES BUMN 17 index are IDX listed stocks of State-Owned Enterprises (SOEs) of Indonesia which are constituents of the Indonesia Sharia Stock Index (ISSI), with the following conditions:

- May Major Evaluation: using ISSI constituents that will be effective in June.
- November Major Evaluation: using ISSI constituents that will be effective in December.

### 3.2. Process of Determining Selected Constituents

From the universe stocks, the selected constituents are filtered by the quantitative and qualitative selection based on the following factors:

- a. Liquidity: trading value, trading frequency, number of days traded in regular market, and market capitalization.
- b. Fundamental: financial performance, regulatory compliance, etc.

Furthermore, a maximum of 17 stocks are selected to become the constituents of IDX-MES BUMN 17. If the eligible stocks are less than 17, then these eligible stocks are selected to become the constituents.

## 4. METHODOLOGY OF INDEX CALCULATION

### 4.1. Index Calculation Formula (Weighting Method)

IDX-MES BUMN 17 Index uses “Capped Free Float Adjusted Market Capitalization Weighted Average” methodology. This method adds free float ratio factor into the market capitalization. Moreover, the weight of index constituents is capped at 20%.

Index calculation formula is as follows:

$$\text{Index} = \frac{\sum_{i=1}^n (\text{Market Cap}_i \times \text{Free Float Ratio}_i)}{\text{Base Market Cap}} \times 100$$

Where:

Market Cap <sub>i</sub>	=	Total listed shares × market price of stock i
Free Float Ratio <sub>i</sub>	=	Ratio of number of free float shares to the total listed shares of stock i
n	=	Number of index constituents
Base Market Cap <sub>i</sub>	=	Market capitalization on the Base Date (adjusted in the evaluation period if there are any changes in the number of shares for the index)

### 4.2. Adjusting Stock Weight Based on Free Float Ratio

In each evaluation period, the weight of each stock is evaluated based on the value of the free float ratio. There is no technical difference in weight adjustment between major evaluation and minor evaluation. In the major evaluation, this process of adjusting weight was preceded by the selection process of the index constituents.

#### 4.2.1. Calculation of Free Float Ratio

The free float ratio of each stocks is calculated based on the free float stocks to total listed stocks. The definition of free float is the number of scripless shares owned by investors with ownership of less than 5% excluding stocks owned by management and treasury stock. The percentage value of the free float ratio is rounded to two decimals.

#### 4.2.2. Calculation of Free Float Adjusted Market Capitalization

The free float adjusted market capitalization of each stock is calculated as follows:

$$MC_i = P_i \times S_i \times FF_i$$

Where:

MC <sub>i</sub>	=	Free float adjusted market capitalization of stock i
P <sub>i</sub>	=	Price of stock i
S <sub>i</sub>	=	Total listed shares of stock i
FF <sub>i</sub>	=	Free float ratio of stock i

### 4.2.3. Calculation of Stock Weight

The weight of each stock is calculated as follows:

$$\text{Weight}_i = \frac{MC_i}{\sum_{i=1}^n MC_i}$$

Where:

$MC_i$	=	Free float adjusted market capitalization of stock i
$n$	=	Number of constituents
$\sum_{i=1}^n MC_i$	=	Total free float adjusted market capitalization of all constituents

### 4.3. Stock Weight Capping

On the evaluation period, both major evaluation and minor evaluation, the number of shares is also adjusted to ensure the weight of a stock in the index does not exceed the specified cap. For the IDX-MES BUMN 17 index, the cap is 20%.

If there is no constituent that has a weight exceed the cap, then this step is not necessary. But if there is one or several stocks that have a weight of more than the cap of 20%, then the process of adjusting stock weight by capping is applied, as follows:

#### 4.3.1. Determining the Number of Capped Stocks

In this process, the number of stocks with weights above the cap are determined. The number of capped stocks is equal to  $s$  and the number of uncapped stocks =  $t = 1-s$ .

#### 4.3.2. Calculating the Total Free Float Adjusted Market Capitalization of Capped Stocks

If  $MC_s$  is the total free float adjusted market capitalization of capped stocks and  $c$  is the cap of 20%, then:

$$MC_s = \frac{s \times c}{1 - (s \times c)} \times MC_t$$

Where:

$MC_s$	=	Total free float adjusted market capitalization of all capped stocks
$MC_t$	=	Total free float adjusted market capitalization of all uncapped stocks
$s$	=	Number of capped stocks
$c$	=	Cap (20%)

#### 4.3.3. Calculating the Capped Free Float Adjusted Market Capitalization

If  $MC_{i,s}$  is the capped free float adjusted market capitalization of a capped stock, then:

$$MC_{i,s} = \frac{1}{s} \times MC_s$$

#### 4.3.4. Calculating the Number of Shares for the Index

The adjusted number of shares for index (Adj.  $S_i$ ) of a stock is calculated by rounding the stock's free float adjusted market capitalization divided by the stock price, as the following formula:

$$\text{Adj. } S_i = \left[ \frac{MC_i}{P_i} \right]_{\text{rounded}}$$

If a stock is a capped stock,  $MC_i$  is equal to  $MC_{i,s}$ .

#### 4.3.5. Calculating Final Stock Weight

The final weight of each stock is calculated as follows:

$$\text{Weight}_i = \frac{\text{Adj. } MC_i}{\sum_{i=1}^n \text{Adj. } MC_i}$$

$$\text{Adj. } MC_i = \text{Adj. } S_i \times P_i$$

Dimana:

$\text{Weight}_i$	=	Weight for stock index i
$\text{Adj. } MC_i$	=	Market capitalization of stock i after adjustment of free float ratio and capping.
$\sum_{i=1}^n \text{Adj. } MC_i$	=	Total market capitalization of all stocks after adjustment of free float ratio and capping.
n	=	Number of constituents

The weight adjustment process is complete if each index constituent does not exceed the cap. The adjustment process should be repeated if there is still any stock that have a weight of more than 20%, as a result of the weight adjustment in other stocks.

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