

Results of the Market Consultation on changes to DAX indices, comprising Treatment of Corporate Actions and Weighting & Capping conducted from 11 April to 19 May 2022

Dear Sir or Madam,

STOXX Ltd., the operator of Qontigo’s index business and a global provider of innovative and tradable index concepts, announces the results of the market consultation on material methodology changes to its DAX family of financial market benchmark indices.

Summary of the Changes

- > With the regular index review in September 2022, the timeline for the review process will be changed. The fixing of weight factors and cap limits is published at t-5 and determined based on close prices of t-6, with t being the third Friday of the review month.
- > Further changes proposed under the category Treatment of Corporate Actions will be announced and within a defined roadmap in due time within the next 18 months. The general project planning will allow for implementation until H2 2023. A separate and detailed announcement will be made to explain the details and the impact of the rule changes.
- > STOXX intends to publish the new index methodology in due time before the implementation of the changes.
- > The proposal to increase the cap limit of the benchmark indices DAX, MDAX, SDAX, TecDAX, DivDAX, DAX ESG screened, MDAX ESG Screened, etc. will not be implemented. STOXX will continue to calculate these indices with a 10% cap at rebalancing.

Fig 1: Result of the Market Consultation: Overview

Accept Corporate Actions	Corporate Actions Adjustment				Accept Weighting & Capping	Weighting & Capping	
	<u>intra-review weight factors (Q, it) adjustment</u>	<u>distribution reinvestment</u>	<u>Spin-Off rule</u>	<u>Index Calculation Formula</u>		<u>Weight Fixing t-5</u>	<u>Capping</u>
✓	✓	✓	✓	✓	(✓)	✓	✗

Consultation response Overview

In total, STOXX received 26 responses to the market consultation. Most responses were received from Institutional Investors. For the evaluation STOXX has classified responses in three categories:

Institutions (21): Responses attributable to a financial institution, as displayed in the Fig 3; were the subgroup portfolio manager is separated into active and passive managers. Associations representing the interests of (listed) companies are also classified in this category.

Individuals (2): Responses by individuals made on their own behalf regardless of corporate affiliation. Associations representing the interests of individual investors are also classified into this category.

Corporates (3): Responses that represent the opinion of listed companies from the non-financial sector. Associations representing the interests of (listed) companies are also classified in this category.

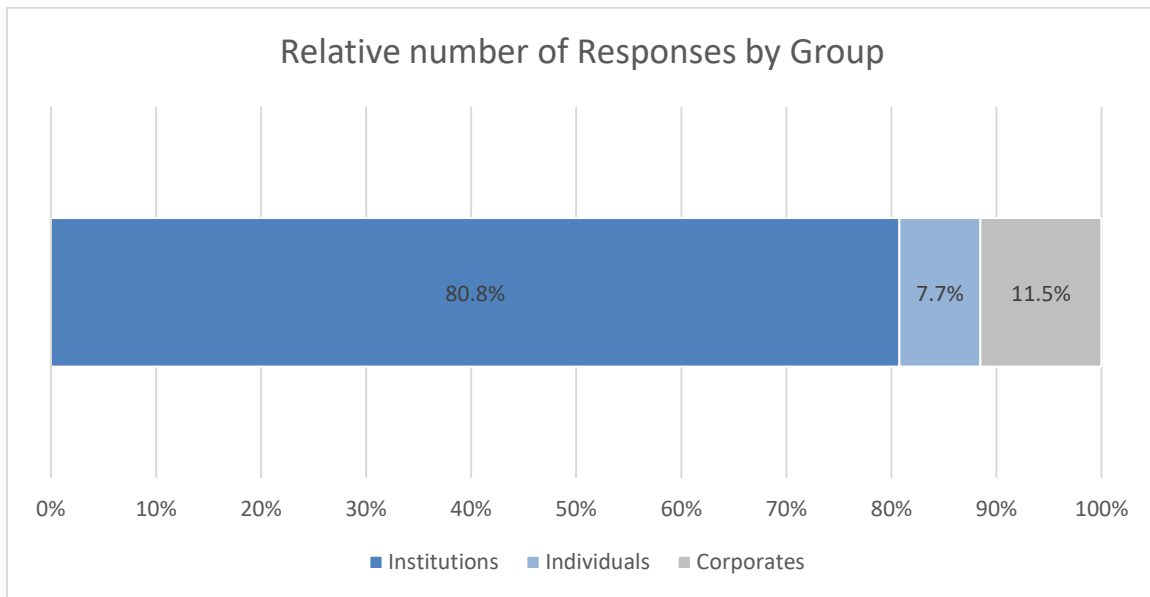


Fig 2: Relative number of responses by Group

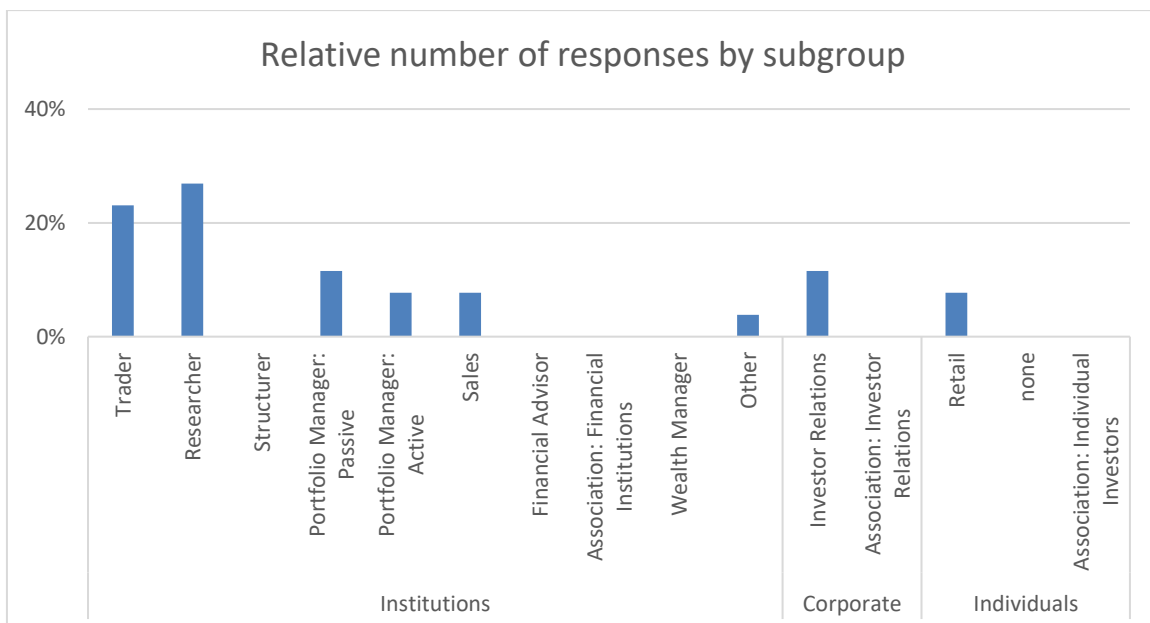


Fig 3: Relative number of responses by subgroup

Detailed Results

Adjustment – Corporate Actions

STOXX proposed a set of rule changes for the Treatment of Corporate Actions, those were:

- > Extraordinary adjustment of number of shares/ weight factors (Q_it) in relation to a Corporate Action, e.g., stock dividends, splits, rights issues, M&A (current rule: section 5.1.4)
- > Adjust the methodology behind distribution reinvestment to have distributions reinvested into the entire index instead of the distributing security (current rule: section 8)
- > Adjustment of Spin-Off rule with respect to the selection of the remaining constituent (current rule: section 8.4)
- > Change of Index Calculation Formula from a correction factor based calculation to a divisor-based calculation scheme (current rule: section 6)

A clear majority of respondents across all three categories voted in favor of the four proposed changes for the Treatment of Corporate Actions, see Fig 4. 83.33% of the Corporates have accepted the proposed changes in the treatment of Distributions, Extraordinary Number of Shares Adjustments and Spin-offs, as well as the change in Index Formula. Followed by an acceptance rate of 77.38% from Institutions and 75% by Individuals, see Fig 5.

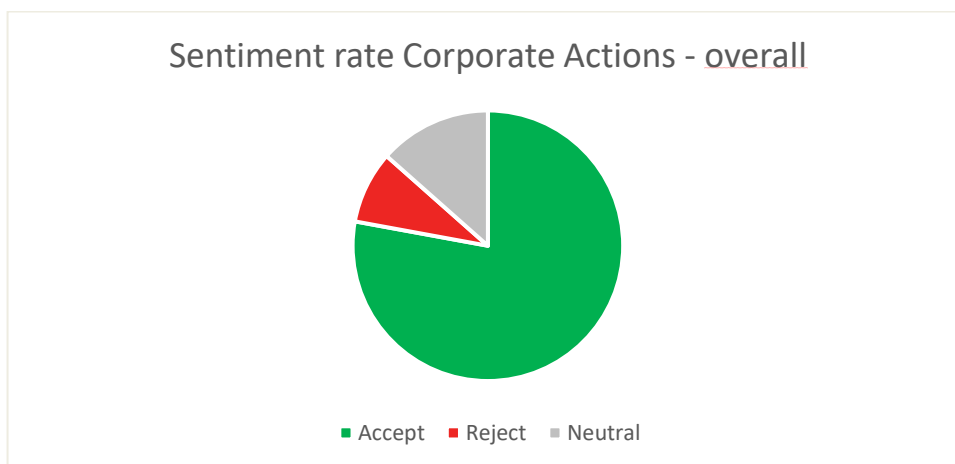


Fig 4: Sentiment Rate Corporate Action Adjustment – Overall

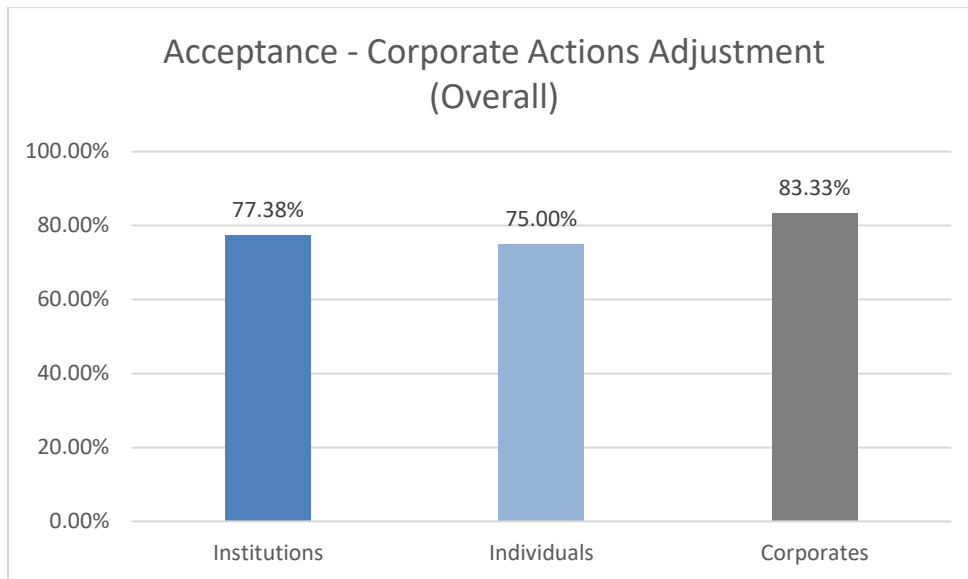


Fig 5: Acceptance Rate Overall by Group

The intra-quarter weight factor adjustment and the adjustment of the Spin-off Rule were accepted by the majority of respondents, only 3.8% of the respondents rejected these proposals, see Fig 6. Solely for the distribution reinvestment a larger number (26.9%) of respondents rejected the proposal, however, the acceptance rate is still significantly higher (69.2%). The proposal to switch the index calculation formula to a divisor-based formula was accepted with no rejections.

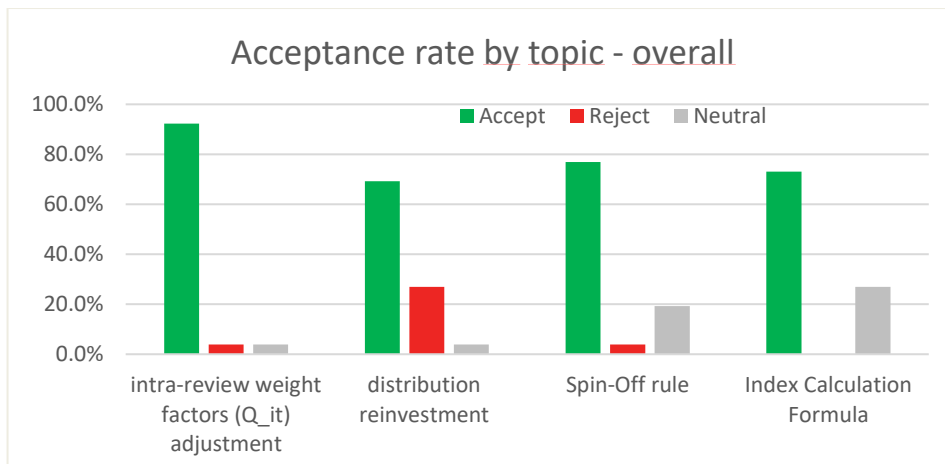


Fig 6: Acceptance Rate Corporate Action by topic - Overall

Weighting & Capping – Overall

STOXX proposed the following changes under the Weighting & Capping package:

- > Preponement of the fixing of the component weightings for review implementation at review from t to t-5 (current rule: section 11.2)
- > Adjustment of Cap Limit: Increasing the capping from 10% to 15% (current rule: section 7.4)

A clear majority of respondents across all three categories voted in favor of the Weighting & Capping Package, see Fig 7. Of the respondents, 71.4% of the Institutions accepted the proposed changes, followed by a clear majority of 66.7% of the Corporates and 50% of the Individuals, see Fig 8. However, a significant portion has rejected the increase in cap limit, which is visible when looking into the 2 aspects separately, see Fig 9.

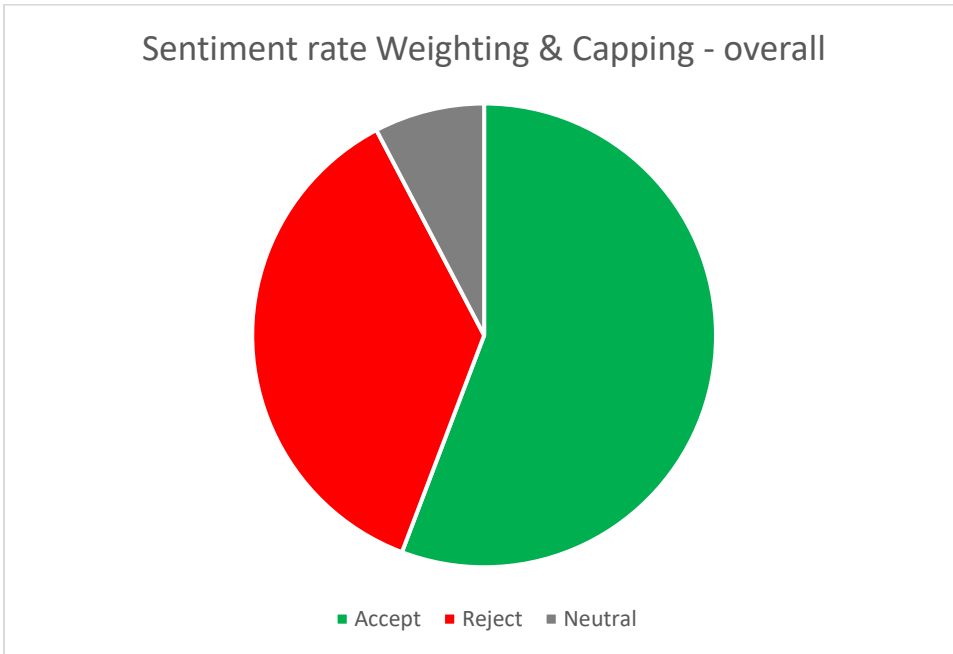


Fig 7: Sentiment Rate Weighting & Capping – Overall

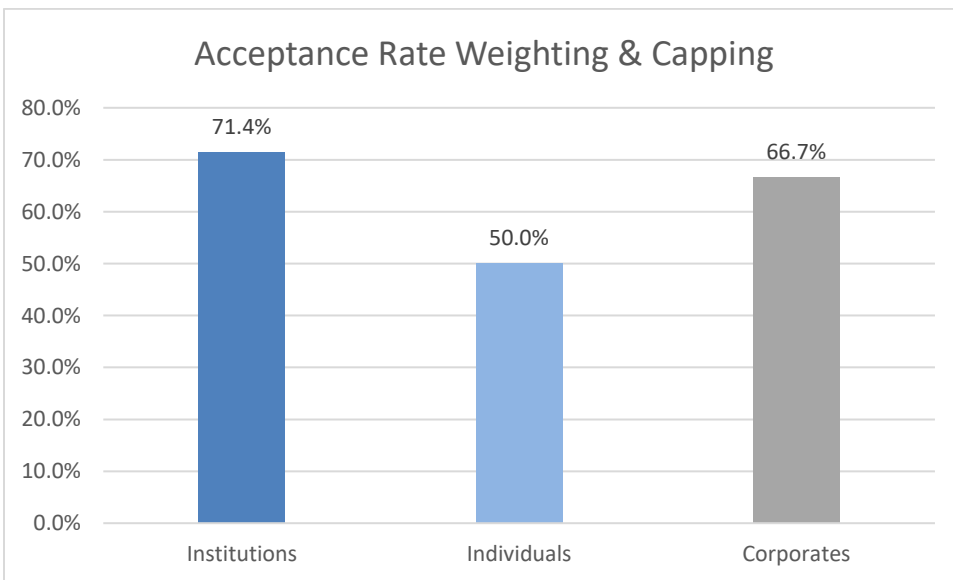


Fig 8: Acceptance rate Weighting & Capping by topic – Overall

The proposal of preponing the weight fixing from t to t-5 at index rebalancing was majorly accepted by the respondents, 15.4% rejected the proposal and the same amount was neutral. Acceptance of the proposal to increase the cap for a number of DAX Selection indices was below average at 42%, while the rejection was above average at 58%, with none of the respondents opting for neutral, see Fig 9.

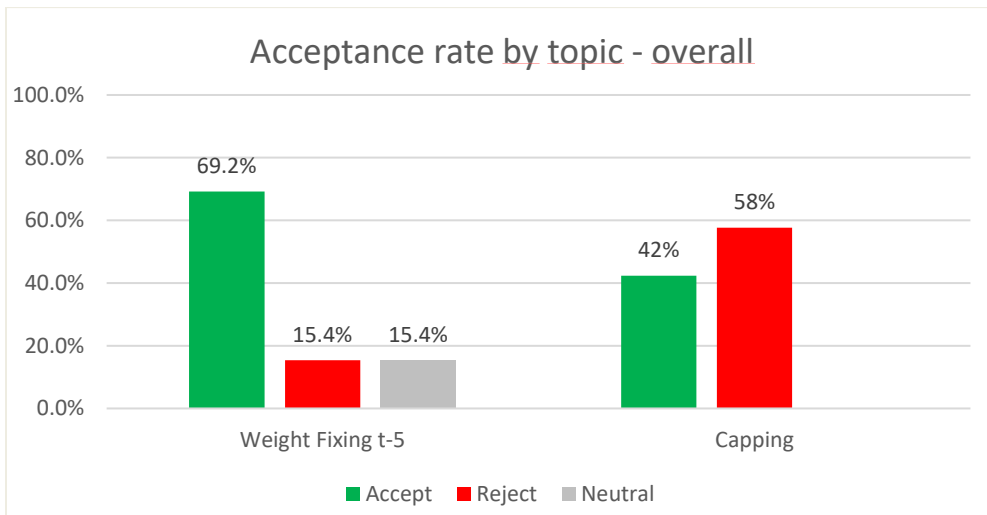


Fig 9: Acceptance rate Weighting & Capping by topic – Overall

Rational for not implementing the increased cap limit of 15%

The overall rejection rate of the proposed change of increasing the cap limit in DAX selection indices lies at 58% and is very high. Clearly, most respondents rejected the proposal of introducing the increased cap limit of 15% applicable to DAX selection indices at rebalancing.

Many respondents provided further comments. What they have in common is the fear of rising concentration risk when allowing single components to have a weight of 15% at max. The UCITS (5/10/40) regulations was a serious counterargument raised by active fund managers.

The biggest respondent group, the Institutional Investors mainly rejected the proposed increase of the cap limit, while Corporates fully accepted it, whereas Individuals clearly rejected the change. Given that the respondent Groups “Corporate” and “Individuals” are small compared to the Group of “Institutions”, STOXX over-weights their overall feedback over those of the two other groups. Therefore, and because of the rationale found in the respondents’ comments, STOXX has decided not to implement the change of increasing the cap limit for the DAX selection and further derived indices as proposed. See Fig 10 for details on the distribution of acceptance and rejections among the respondent Groups.

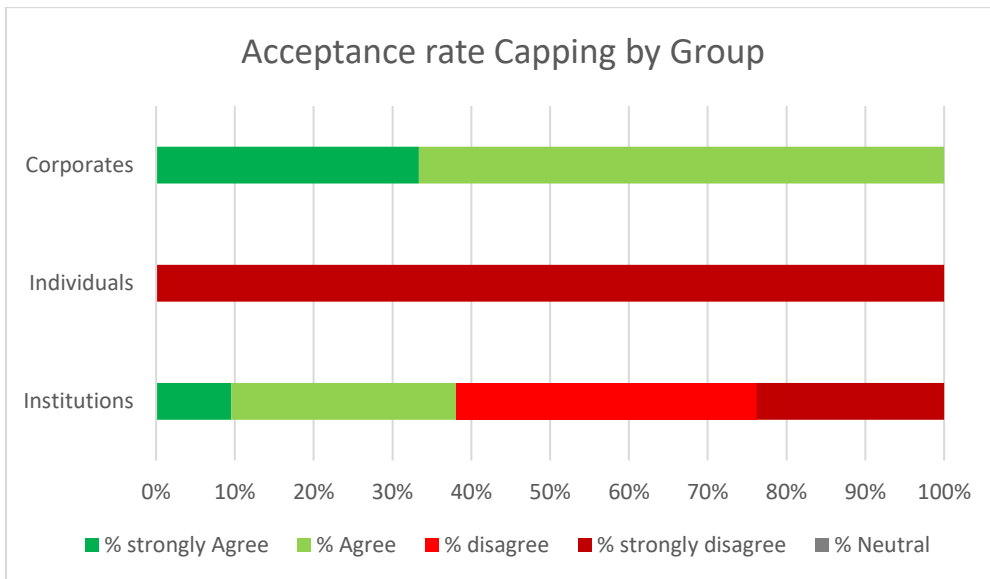


Fig 10: Acceptance rate Capping by Investor Group

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