



Navigating Indices: Essential Insights for IR Practitioners

21 August 2024

Indices

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Four Areas of Activity.

SIX - One Company.



Exchanges

Third-largest stock exchange group in Europe

SIX Swiss Exchange, BME Exchange, BME Derivatives Exchange, SIX Digital Exchange

- › Listing
- › Trading
- › Market Data



Securities Services

Unbeatable post-trade services from A to Z and more

- › Clearing
- › Settlement and Custody
- › Securities Finance
- › Tax Services
- › Trade Repositories



Financial Information

Making a difference with data

- › Market & Reference Data
- › **Indices**, ETFs, Funds Data
- › Regulatory & Compliance
- › ESG Data, Services, Solutions
- › Display, APIs, Cloud access



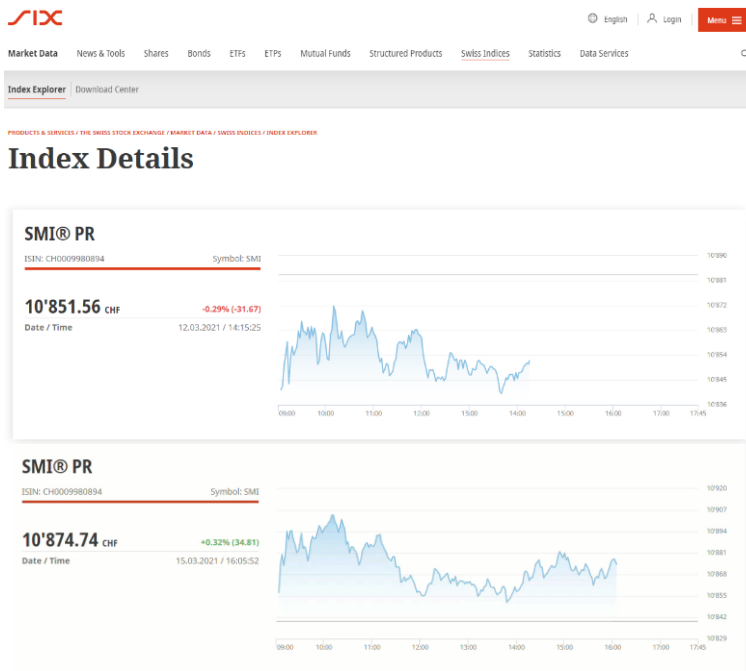
Banking Services

Smooth payment transactions

- › Billing & Payments
- › ATM Services
- › Debit and Mobile Solutions
- › Connectivity
- › Data Analytics & AI

What Is the Purpose of Indices?

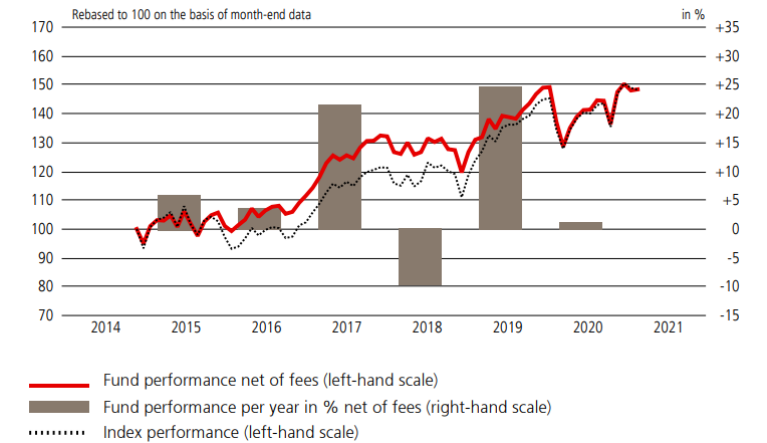
Information



Financial Products

First Trading Day	Product Name	ISIN	Curr	Underlying	Market Maker(s)	Mgmt Fee p.a.
	Vol ESG UCITS ETF EUR Hdgd (Acc)			Reduced Carbon Target Index	Générale	
26.02.2021	IShares S Corp Bond 0-3yr ESG UCITS ETF CHF Hedged (Acc)	IE00BMHS1376	CHF	Bloomberg Barclays MSCI US Corp 0-3 Sustainable SRI Index	Goldenberg Heilmeyer LLP Société Générale	0.17
26.02.2021	IShares Edge MSCI World Min Vol ESG UCITS ETF CHF Hdgd (Acc)	IE00BMHS1269	CHF	MSCI World Min Vol ESG Reduced Carbon Target Index	Optiver V.O.J. Société Générale	0.35
25.02.2021	Tabula US Enhanced Inflation UCITS ETF (USD) - CHF-Hed- Acc	IE00BK90W50	CHF	Bloomberg Barclays US Enhanced Inflation Index	BNP Paribas	0.3
23.02.2021	UBS ETF (CH) SPI ESG (CHF) A-acc	CH0590186661	CHF	SPI ESG weighted (Total Return)	UBS AG	0.15
18.02.2021	Xtrackers MSCI EMU ESG UCITS ETF 1C	IE00BNC1G699	CHF	MSCI EMU Low Carbon SRI Leaders Net EUR	Goldenberg Heilmeyer LLP Société Générale	0.1

Reference and Benchmarking



[SIX Indices Licensing \(website\)](#)

[Index Based Products \(pdf\)](#)

The SIX Index Business at a Glance

The SIX index business provides investors benchmarks with exposure to the Swiss, Nordic, Spanish and Global Markets

Core Markets

Switzerland (~1800), Spain (~250) and Nordics (~300 indices) and global equity (SIX World, SIX Broad and SIX Bluechip indices)

Client Segments

Retail Banking (online banking, apps, web display)

Asset Management (ETFs, Index Funds, Mandates and Benchmarking)

Investment Banking (Structured Products and Derivatives)

Treasury (Cashflow & Risk Mgmt, Corporate Finance for the CHF Interest Rates)

EU Benchmark Regulation via Comisión Nacional del Mercado de Valores (CNMV, Spain) and Finansinspektionen (Sweden)



Global [Equity / Crypto Currency]

49 developed and emerging markets

85% of the capitalization of those markets

Major Cryptos (on-demand)

Nordic

Nordic equity indices:
Sweden, Finland, Denmark
and Norway

SIXPRX

SIX30

SIX60 SRI



Spain

Equity, bonds and
derivatives listed in
Spain at BME

IBEX 35



Switzerland

Equity, CHF bonds, real
estate funds listed at the
Swiss Stock Exchange /
CHF money market

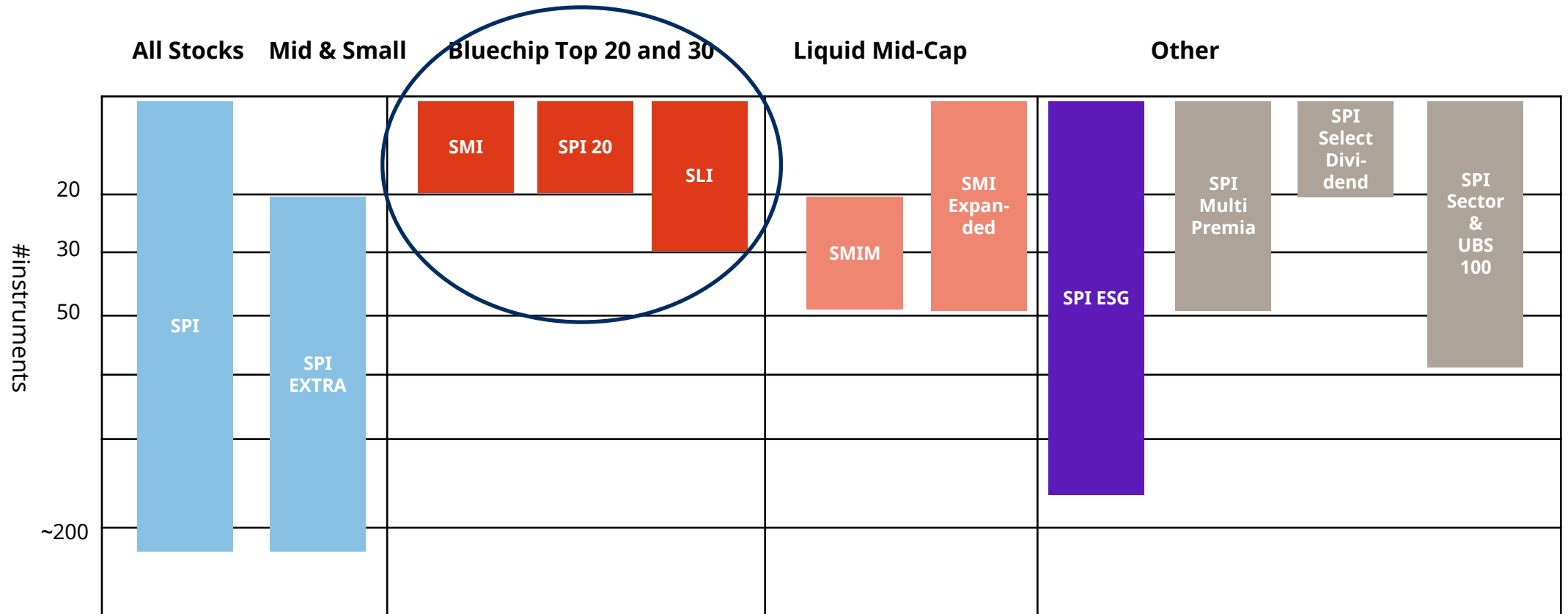
SMI, SLI and SPI

Swiss Bond Indices (SBI)

SARON: Swiss Franc
interest rate

SWITT

The major SIX Swiss indices



- **Key criteria for index inclusion (SMI, SPI 20, SMIM, SLI):** 12 months average Free Float Market Capitalization and 12 months on-order book turnover
- **Institutional investors** primarily follow SPI , SPI Extra, SPI 20 versus the SMI, SLI, SMIM as benchmarks (e.g. for mandates)
- **Banks issuing structured Products and trading derivatives** follow the SMI as benchmark
- **ETFs and index funds** available for most mentioned indices and segments

SLI – The 30 Largest and Most Liquid Companies of the SPI



- **Launch:**
2 July 2007
- **Annual Review of Index Composition:**
Communication at the beginning of July
Execution as per the 3rd Friday in September
- **Publication Interval:**
Every second/in real time

Intensive utilization through financial products in Switzerland and EU:
ETFs, index funds, and index derivatives (futures/options)

SLI – the 30 largest and most liquid Swiss equities

Selection List (2024-Q1)

Candidate Rank SLI	Stock name	SLI/SMIM	Average Free Float Market Value (01.04.2023-31.03.2024)		On Order Book Turnover (01.04.2023-31.03.2024)		Average of Market Value and Turnover % of SPI
			In CHF	Rank	In CHF	Rank	
			27.	SWATCH GROUP I	SLI	7'084'915'685	
28.	SCHINDLER PS	SLI	8'245'542'553	28.	4'552'338'060	29.	0.65%
29.	ADECCO N	SMIM	5'945'836'394	34.	4'553'120'155	28.	0.57%
30.	LINDT N	SMIM	11'451'029'516	23.	2'221'657'800	40.	0.57%
31.	SIG Group N	SLI	7'539'884'335	30.	3'634'438'682	32.	0.55%
32.	BARRY CALLEBAUT N	SMIM	5'456'920'377	35.	3'808'029'337	31.	0.50%
33.	BALOISE N	SMIM	6'274'728'755	33.	6'738'843'274	35.	1.02%
34.	AVOLTA N	SMIM	3'653'880'492	44.	6'960'027'847	23.	0.96%
36.	ROCHE I	SLI	8'007'519'214	29.	1'989'735'290	44.	0.41%

SLI inclusion (annual index review)

- Average Free Float Market Capitalization over last 12 months
- On order-book turnover over last 12 months
- Both criteria contribute equally
- Time period: July 1, 2023 to June 30, 2024
- Index composition updated on 3rd Friday in September, effective as of following Monday

Selection of stocks

- Rank 27 or better selected for the Index
- Constituents ranked > 34 are removed
- Constituents ranked between 28 and 33 may remain

Weighting

- Free-Float Market Capitalization
- Weights are capped at 18% quarterly

Adecco (rank 29) would qualify for an ordinary inclusion in September. Ranking based on turnover data (rank 34) and the average Free Float Market Capitalization (rank 28). Roche I to be excluded.

Annual Index Review (July 2024)

SIX has decided to make changes to the index baskets on the basis of a recommendation from the Index Commission and in compliance with the SMI®, SLI®, SPI® and SXI® index rules. The indices will be adjusted on 20 September 2024 after closing. **The adjustment takes effect on 23 September 2024.**

Changes to the SMI® and SPI®20 index baskets

NO CHANGES TO THE INDEX COMPOSITION

Changes to the SMIM® index basket

Admission to the SMIM®

Galderma Group N	CH1335392721
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Exclusion from the SMIM®

MEYER BURGER N	CH1357065999
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Changes to the SLI® index basket

Admission to the SLI®

ADECCO N	CH0012138605
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Exclusion from the SLI®

ROCHE I	CH0012032113
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Changes to the SPI® Small, Mid and Large index baskets

Changes from SPI® Mid to SPI® Large

KUEHNE+NAGEL INT N	CH0025238863
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Changes from SPI® Large to SPI® Mid

SGS N	CH1256740924
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Changes from SPI® Small to SPI® Mid

DocMorris N	CH0042615283
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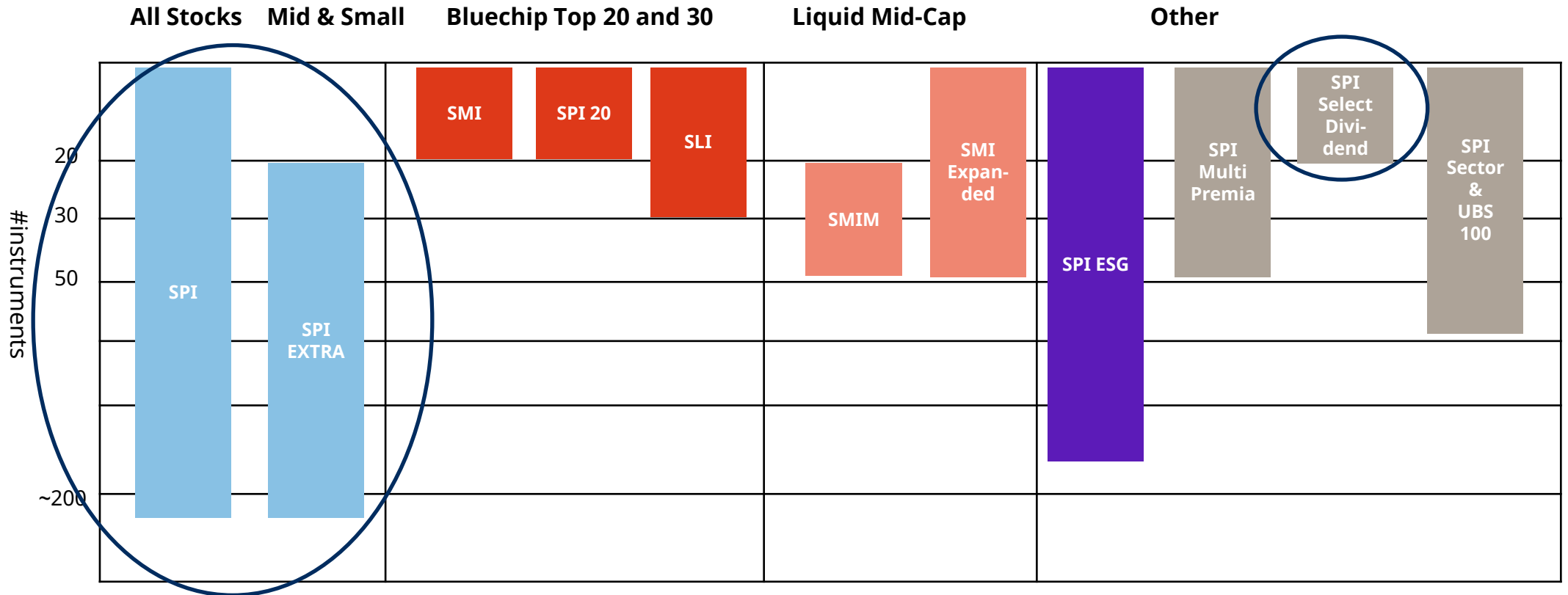
JUNGFRAUBAHN HLD N	CH0017875789
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Changes from SPI® Mid to SPI® Small

IDORSIA N	CH0363463438
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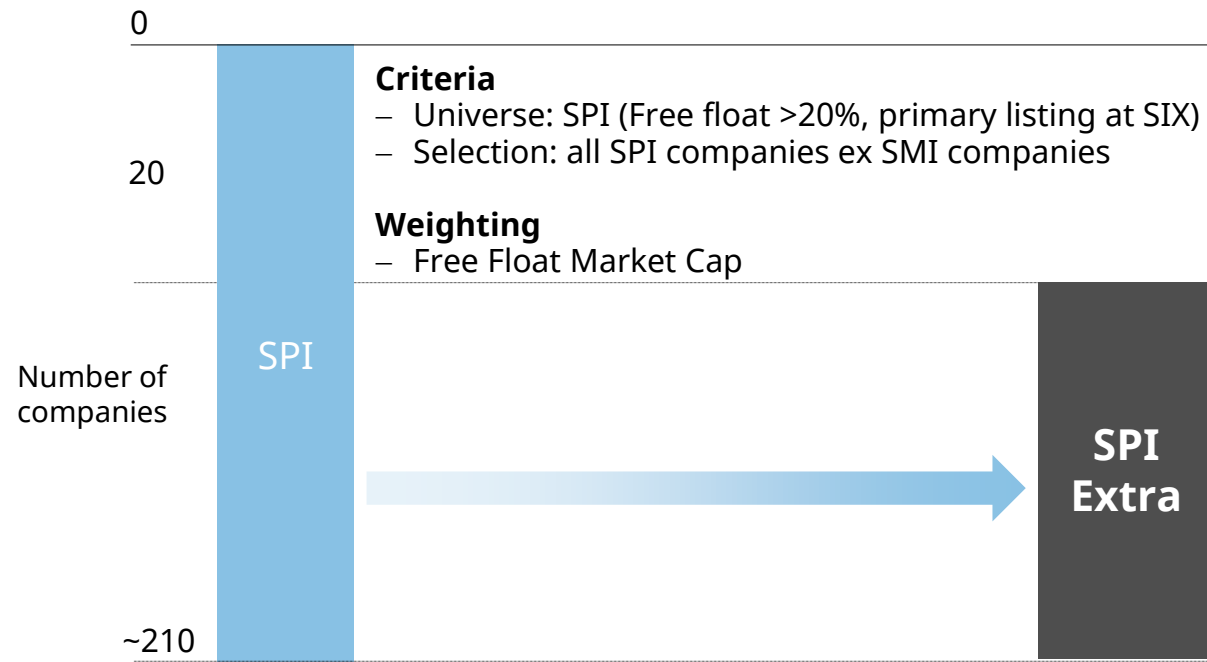
SCHWEITER N	CH1248667003
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The major SIX Swiss indices



- **Key criteria for index inclusion (SMI, SPI 20, SMIM, SLI):** 12 months average Free Float Market Capitalization and 12 months on-order book turnover
- **Institutional investors** primarily follow SPI , SPI Extra, SPI 20 versus the SMI, SLI, SMIM as benchmarks (e.g. for mandates)
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- **ETFs and index funds** available for most mentioned indices and segments

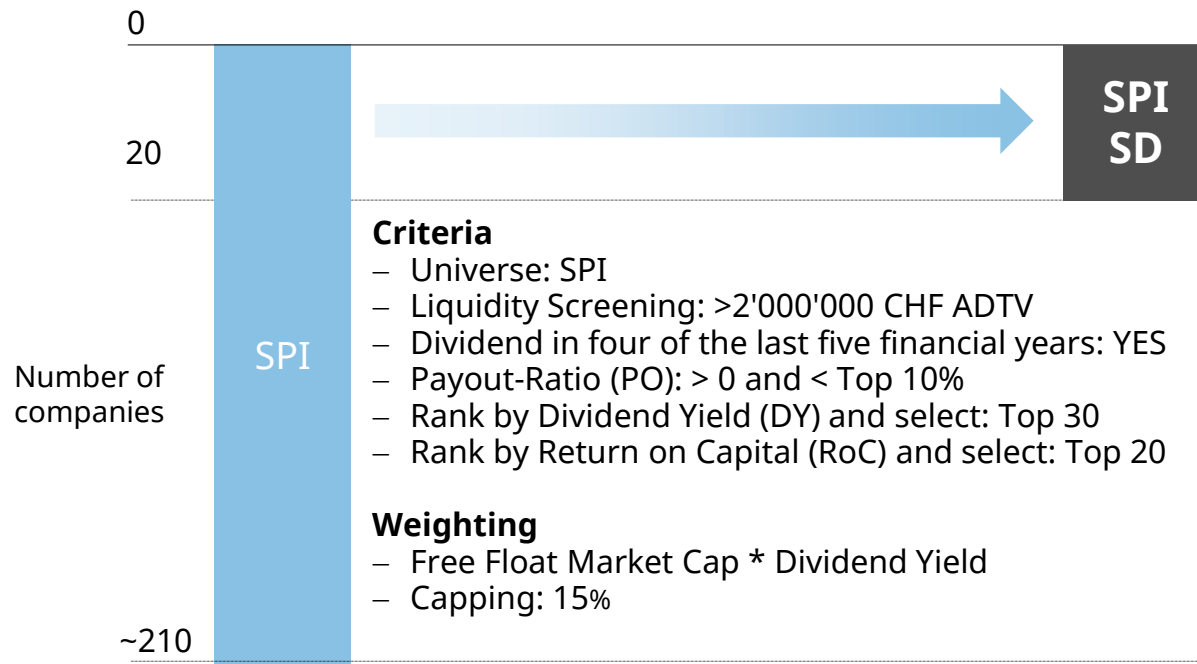
SPI Extra – the mid and small companies outside of the SMI



- > **Launch:**
29 April 2004
- > **Review of Index Composition:**
On-going, whenever the SPI/SMI composition is modified
- > **Publication Interval:**
Every second/in real time

Utilization through financial products in Switzerland:
index funds, institutional mandates and many active portfolio managers

SPI Select Dividend 20 – the highest dividend payout and solid profitability



- > **Launch:**
24 Apr 2014
- > **Annual Review of Index Composition:**
Communication at the beginning of March
Execution as per the 3rd Friday in March
- > **Publication Interval:**
Every second/in real time

Utilization through financial products in Switzerland:
ETF

ESG Benchmark Solutions for the Swiss Market

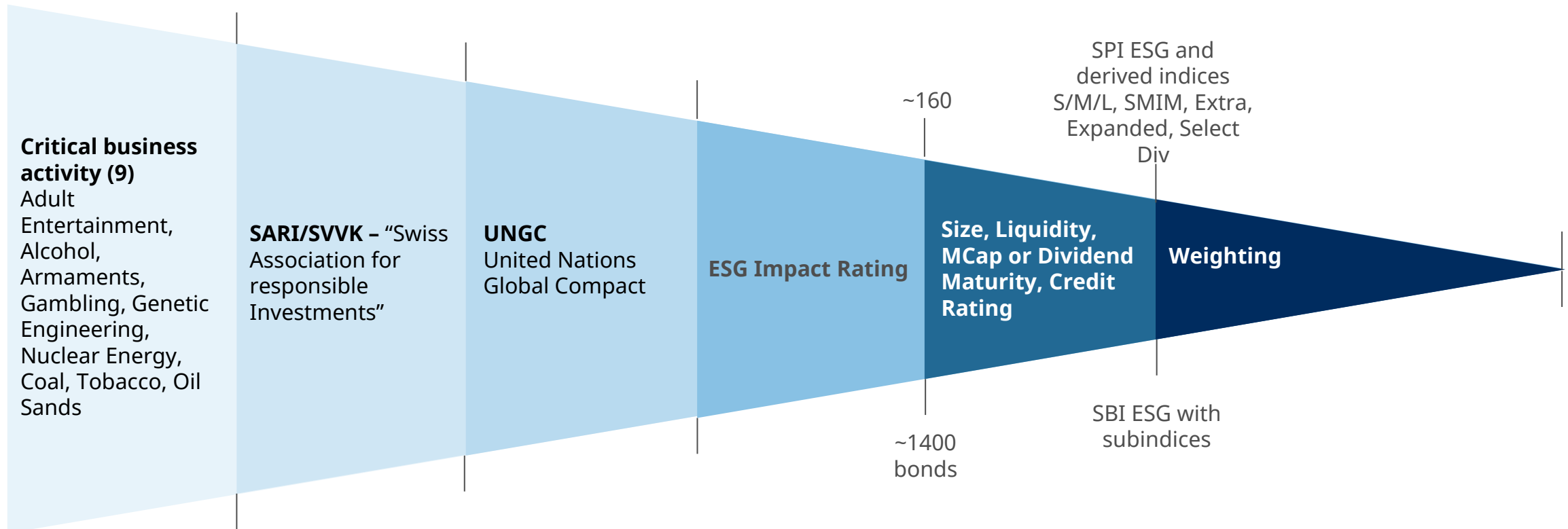
	Equity Indices	Bond Indices	Real Estate Indices	ESG Indices	Strategy Indices	Swiss Ref. Rates
Blue-Chip	SMI SMIM SMI Expanded SLI SPI 20		SWIIT SXI Swiss Shares & Funds	SXI Swiss Sustain. 25	Select Dividend Leverage & Short Volatility Special Industry	SARON
Benchmark	SPI SPI Extra SPI Size/Sectors Gender Equality	SBI Rating: AAA-BBB Foreign Domestic SBI Sectors	SXI Real Estate Broad NAV weighted	SPI ESG SBI ESG SPI ESG Extra Sizes	SPI Multi & Single Premia Risk Control Dividend points	Compound Rates; 1week, 1,2,3,6,9,12 months, Comp IMM Rates: 1, 3 months

- **SPI ESG, SPI ESG Weighted and SPI ESG size indices**
- Eligible are companies with an ESG Impact Rating of C+ or higher, max. 5% critical sector revenues, fulfillment of UNGC assessment and not on SVVK list
- The index composition is reviewed annually in September, capping factors quarterly, weighted by Free Float Market Capitalization

Utilization through financial products in Switzerland:
ETFs, index funds, institutionell mandates and active portfolio managers

Construction of the Index Portfolio Including ESG Criteria

SPI ~200 Swiss equities (annual index review for the ESG Equity indices)



SBI ~1600 CHF bonds (monthly for Bond Indices)

Methodology – Eligibility Criteria „ESG Rating”

ESG rating of C+ or higher

<h1>A</h1>	<p>A+ A A-</p>	<p>Sustainable or supports the transition towards sustainability</p>	<p>Through its practices, products or services, the company already contributes to the reduction of the social or environmental imbalances of the economy and supports the global transition towards a long-term sustainable economy.</p>
<h1>B</h1>	<p>B+ B B-</p>	<p>On the path to sustainability</p>	<p>The activity of the company is compatible with a long-term sustainable economy, but its products, services or practices do not meet all sustainability requirements yet. The company demonstrates the willingness and ability to improve its sustainability performance.</p>
<h1>C</h1>	<p>C+ C C-</p>	<p>Not sustainable, but with less negative impact</p>	<p>The activity of the company is currently not sustainable. Its products, services or practices exert a heavy social or environmental burden, but the company demonstrates the willingness and some ability to modify its products or practice in order to reduce the negative impact.</p>
<h1>D</h1>	<p>D+ D D-</p>	<p>Not sustainable</p>	<p>The activity of the company is not sustainable. Its products, services or practices contribute to a rapid deterioration of environmental and/or social conditions. The company has no possibility or demonstrates no willingness to reduce this impact.</p>

Source: Inrate,



Communication: Newsletter, website and subscriber web-portal

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SIX Indices

Reliable Benchmarks for Swiss and Nordic Markets

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OVERVIEW

Flagship Indices and Bespoke Benchmarks

The indices of SIX are trusted by asset and portfolio managers around the world. In addition to Switzerland's flagship indices – SMI, SBI, SPI Multi Premia, and SARON – SIX offers a broad range of Nordic benchmarks, plus a variety of strategic, thematic and customized indices to meet clients' specific needs. As a result, more than 20,000 ETPs, funds and derivatives are associated with our indices, while assets worth more than CHF 100 billion are passively linked to a SIX index.

USEFUL LINKS

[Swiss Indices](#) →

[Nordic Indices](#) →

[Customized Indices](#) →

SIX

Index Overview

Index Adjustments >

ESG >

Equity Basic v

SMI Family v

SMI

SMI MID (SMIM)

SMI Expanded

SLI

SPI Family >

UBS 100

SPI Gender Equality >

SXI Special Industry >

Swiss All Share

SMI – the Blue-Chip Index

This website contains all index relevant information which is only available with a valid license agreement. Further available index information can be found [here](#).

Index Information

Enter Here

Description	Download
Equity index selection list	Download

Index Composition

Enter Here

Description	Download
	Download

PR | TR

Q&A

Index Funds

Urs von Gunten
Head Index Investment, BCV

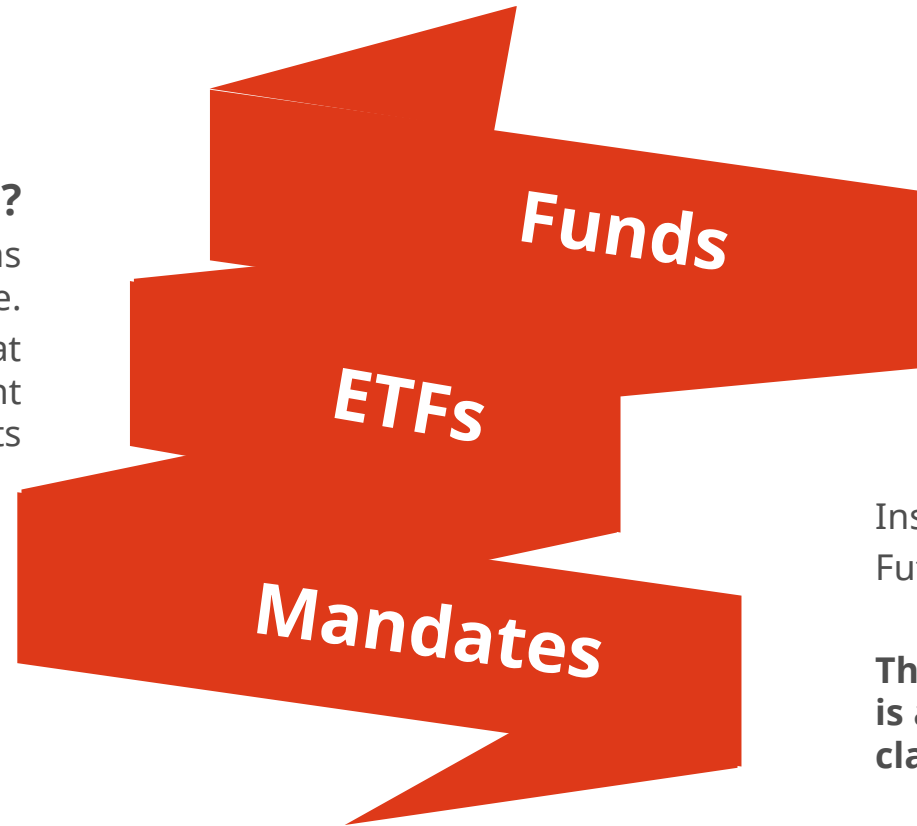


Around the world with Index Investments

What is index tracking?

Index tracking is replicating the Index as close as possible.

Difficult to find other investments that outperform long-term than cost-efficient index investments



What are the financial products that track indices?

Equity Index Funds, Fixed Income Index Funds, Real Estate Index Funds

Different Umbrellas

Institutional Fund, Retail Fund, ETF
Futures, Trackers, Fund of Hedge Funds, Gold

The key question is what Benchmark / Index is available in what quality to track an asset class

What is a common Swiss Pension Fund strategy?

Some Asset classes are more suited for passive (index) investments than others.

Equity Domestic

Equity International

Fixed Income Domestic

Fixed Income International

Less liquid/complex assets via active investments

Real Estate

Alternatives

Privat Equity, Infrastructure, Hedge Fund solutions and other alternative investments



Index Rebalancings

- **Analysis**

Volume, Size changes, different Deletions and Additions of indices with the respective overlaps, liquidity in the market for volumes and trading strategies

- **Operational Aspects**

Databases will be prepared and a current and forward-looking index are managed and updated for new data

- **Execution / Trading**

- The theoretical ideal point is the execution of index changes at closing (reference for relative performance tracking)
- Liquidity in the market might indicate related to volumes and weight of a stock a more accurate trading over the time.
- Consider risk restriction of the product



Which Swiss indices and Swiss stocks are typically traded or not traded for index investments?



All Stocks, but...

The larger the index the less efficient is trading all positions. For SPI a cash flow might always trade in NESN, NOVN and ROG.



Index
Rebalancings

For Additions/Deletions: Optimize for Size, Sector and stock weight in the index



Common used
Indices

$SPI\ Extra + SPI20 = SPI$

SLI = Capped to reduce concentration risk and accessing more distribution with different regulations.

$SMIM\ (Mid\ Caps) + SPI\ 20 = Top\ 50\ stocks$

SPI ESG and SPI ESG Weighted

SMI for Derivatives like Futures

Around the world with Index Investments

Real market examples likes M&A, IPOs, spin-off, capital increases

Syngenta and Actelion

03 May 2017	24 avr 2017	E	1053247 CH0010532478		Actelion Ltd, Allschwil	Exclusion of Actelion from the SMI and SPI family due to takeover by Johnson & Johnson and Free Float below 20%.
12 May 2017	05 mai 2017	E	1103746 CH0011037469		Syngenta AG, Basel	Syngenta AG proposed to distribute a special dividend of CHF 5.00 conditional upon and prior to the first settlement of the ChemChina transaction (no regular dividend proposed). The price and total return indices will be adjusted for the special dividend of CHF 5.00.
15 May 2017	05 mai 2017	E	1103746 CH0011037469		Syngenta AG, Basel	Exclusion of Syngenta from the SMI and SPI family due to takeover by China National Chemical Corporation and Free Float below 20%.

Spin-off of Idorsia from Actelion

19 June 2017	16 juin 2017	E	36346343 CH0363463438		Idorsia Ltd, Allschwil	As part of the settlement of the public tender offer by Johnson & Johnson for all publicly held registered shares of Actelion, Actelion announced to spin-off Idorsia Ltd. The first trading day of the newly listed Idorsia shares will take place on June 16, 2017.
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Challenges for Index Trackers in case of Corporate Actions

Timeline / Deadlines M&A and Takeover

- Index announcements (Addition/Deletion) 2-5 days before implementation
- Portfolio Manager to give instruction before the M&A event result is known
- The index provider can only decide after the M&A acceptance % is available

Trading challenges

- M&A: Two trading lines (tendered and non-tendered shares)
- Exclusion date from the index versus Value Date from the take over
- IPO/Spin-off: The index is the strategy but if the index investor need to get an allocation matching otherwise need to buy on first day

Conclusion

- The technical aspect to replicate a Corporate Action event is for index products crucial!
- If the technical part of a corporate action is managed correctly, it can help the fund gain upside thus offsetting some of the costs and so resulting in a better performance for the investor.

Q&A

ESG Ratings

Carolina Pérez
Head of ESG Analysis, Inrate

