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Hang Seng Dividend Yield Indexes

This methodology document should be read in conjunction with the Index Methodology General Guide on Hang Seng Indexes Co Ltd ("HSIL")'s website.

Readers are reminded that there might be exceptions in the index handling to the below general approach in some special situations and HSIL reserves the right to determine the most appropriate handling.

Objective	To gauge the performance of the Dividend Yield Factor given a specified universe, while considering elements such as tracking error and factor exposure.
Universe	All the constituents of an underlying Index ("Parent Index") from the Hang Seng Family of Indexes.
Quality Screening	
Quality Screening Measures	The Quality Screening entails the measures of Return on Shareholders' Equity ("ROE"), Total Debt to Total Equity ("DE") and 5-year Earnings Per Share Variability ("EPSVar").
Quality Screening Measure Z-scores	For each Quality Screening Measure of a security, the Quality Screening Measure Z-Score is obtained by standardising the Quality Screening Measure within the same HSICS Industry that the security belongs to using the Standardisation Formula in Appendix A.
Quality Screening Score	The Quality Screening Score is calculated using the Z-Scores of three Quality Screening Measures of the security, namely ROE, DE and EPSVar: $Quality\ Screening\ Score = (Z_{ROE} + Z_{DE} + Z_{EPSVar})/3$ For each security, if less than three Quality Screening Measures among ROE, DE and EPSVar are missing, the missing Quality Screening Measures will be excluded from the average calculation for that security. If all three Quality Screening Measures are missing, the Quality Screening Score for that security will be set to zero.

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Quality Screening	The Quality Screening aims to include the stock ranked above the Quality Screening Level in terms of Quality Screening Score within each HSICS Industry of the Universe in the Quality List, subject to 5% buffer zone rule. The Quality Screening Level is specified in the Available Indexes section. Existing constituents ranked below the Quality Exclusion Level within its HSICS Industry will be removed from the Quality List, while non-constituent ranked at or above the Quality Inclusion Level within its HSIC Industry will be included in the Quality List. $Quality\ Exclusion\ Level = Round\ ((N_{HSICS\ Industry} \times QS) \times (1 + 5\%))$ $Quality\ Inclusion\ Level = Round\ ((N_{HSICS\ Industry} \times QS) \times (1 - 5\%))$ *where:* $N_{HSICS\ Industry} = Number\ of\ securities\ in\ each\ HSICS\ Industry$ $QS = Quality\ Screening\ Level$
Dividend Yield Factor Score Calculation	
Dividend Yield Factor Measures	The Dividend Yield Factor entails the measure of the Logarithm of Dividend Yield (LogDY), which is based on the dividend per share of the latest fiscal period and the price as of data cutoff date. If the Dividend Yield of a security exceeds 7%, the figure will be adjusted to remove special dividends or one-off cash distributions, if any.
Dividend Yield Factor Measure Z-scores	The Factor Measure Z-Scores are obtained by standardising the Factor Measure within the same HSICS Industry that the security belongs to using the Standardisation Formula in Appendix A. A Factor Measure Z-Scores of -3 will be given to a security that has a zero dividend yield or a dividend payout ratio of over 100% for the latest fiscal period.
Dividend Yield Factor Scores	The Dividend Yield Factor Score equals the Dividend Yield Factor Measure Z-score. If the Dividend Yield Factor Measure Z-score is missing, the Dividend Yield Factor Score for that security will be set to zero.

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Dividend Yield Tilt Factor	The Dividend Yield Tilt Factor for each constituent is calculated according to the following formula: $$Dividend\ Yield\ Tilt\ Factor = \begin{cases} 1 + Z', & Z' \geq 0 \\ 1/(1 + \lvert Z' \rvert), & Z' < 0 \end{cases}$$ *where:* Z' = *Standardised Dividend Yield Factor Score* $\lvert Z' \rvert$ = *Absolute Value of Standardised Dividend Yield Factor Score*
Constituent Selection	
Selection Criteria	All securities in the Quality List from Quality Screening will be included in the Comprehensive Index.
Weighting Methodology	The Factor Tilt Weights of selected securities are derived by multiplying the securities' weight in the Parent Index by the securities' Dividend Yield Tilt Factor. These Factor Tilt Weights are then normalised so that they sum to unity. The Factor Tilt Weights are then adjusted for Industry Neutrality to derive the Industry Neutral Weight, so that the HSICS Industry weights of the Dividend Yield Indexes equal to the HSICS Industry weights of the Parent Index. A Capping Level is applied on the Industry Neutral Weights to derive the Capped Weight. The Capping Level is specified in the Available Indexes section.
Review/Rebalance Frequencies	
Review Frequency	Half-yearly (Data cut-off in end-June / December)
Rebalancing Frequency	Quarterly For Data cut-off in end-June / December, adjustment will be made on Factor Tilt Weight, Industry Neutral Weight and Capped Weight. For Data cut-off in end-March / September, individual securities will be recapped to the Capping Level.

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Available Indexes

Hang Seng Large-Mid Cap Dividend Yield Comprehensive Index		
Parent Index	Hang Seng Large-Mid Cap (Investable) Index	
Quality Screening Level	80%	
Capping Level	12%	
Launch Date	18 January 2021	
Base Date	4 March 2011	
Base Value	3,000	
Currency	Hong Kong Dollar	
Frequency	Real-time every two seconds	
Vendor Codes	**Refinitiv**	**Bloomberg**
PI **Gross TRI** **Net TRI**	.HSLMYCI .HSLMYCIT .HSLMYCIN	HSLMYCI HSLMYCIT HSLMYCIN

Hang Seng China A Dividend Yield Comprehensive Index		
Parent Index	Constituents listed on the Shanghai Stock Exchange (“SSE”) or the Shenzhen Stock Exchange (“SZSE”) in the Hang Seng China A (Investable) Index	
Quality Screening Level	80%	
Capping Level	12%	
Launch Date	17 May 2021	
Base Date	4 March 2011	
Base Value	3,000	
Currency	Renminbi	
Frequency	Real-time every two seconds	
Vendor Codes	**Refinitiv**	**Bloomberg**
PI **Gross TRI** **Net TRI**	.HSCAYCI .HSCAYCIT .HSCAYCIN	HSCAYCI HSCAYCIT HSCAYCIN

Available Indexes

Hang Seng Stock Connect China Dividend Yield Comprehensive Index		
Parent Index	Hang Seng Stock Connect China 500 index	
Quality Screening Level	80%	
Capping Level	12% at company level	
Launch Date	20 September 2021	
Base Date	6 March 2015	
Base Value	3,000	
Currency	Renminbi	
Frequency	Real-time every two seconds	
Vendor Codes	**Refinitiv**	**Bloomberg**
PI **Gross TRI** **Net TRI**	.HSSCYCI .HSSCYCIT .HSSCYCIN	HSSCYCI HSSCYCIT HSSCYCIN

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Appendix

A	**Standardisation Formula**	$Z_V = \max(\min(D \times (\frac{(V-\mu_V)}{\sigma_V}), 3), -3)$ *where:* Z_V = *Z-Score* D = *-1 for DE and EPSVar, +1 for ROE and LogDY* V = *Variable to be standardised* μ_V = *Average of the Variable to be standardized for securities in the same HSICS Industry* σ_V = *Standard Deviation of the Variable to be standardized for securities in the same HSICS Industry* If the Variable to be standardised of a security is missing, it will be excluded from the calculation of μ_V and σ_V for that Z-Score.

For more information on the terms used in this document and calculation details, please refer to the Index Methodology General Guide on HSIL's website.

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Amendment History

	Date	Description
1.0	Jan 2021	First Issue
1.1	May 2021	Added Hang Seng China A Dividend Yield Comprehensive / Select Indexes
1.2	Sep 2021	Added Hang Seng Stock Connect China Dividend Yield Comprehensive / Select Indexes
1.3	June 2024	Clarified on the Parent Index of Hang Seng China A Dividend Yield Comprehensive / Select Indexes
1.4	April 2025	Removed the methodology of Select Indexes

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