



Pinnacle Equity Investable Universe

version 2.0

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Chapter 1

Objective

The purpose of this document is to define the methodology used to construct and maintain the Investable Universe of Indonesian equities. The universe serves as the foundation for portfolio construction, research analysis and performance measurement. The universe construction procedure ensures consistency, transparency and objectivity in the selection of securities included in the universe.

Based on transparent and objective rules, the Investable Universe is intended to provide:

- Coverage of the investable opportunity set which includes listed securities on the Indonesian Stock Exchange (IDX). The universe covers both conventional and, where applicable, Sharia-compliant equities.
- A strong emphasis on investability and replicability of the universe through the use of size and liquidity screens.
- An innovative maintenance methodology that provides a balance between universe stability and reflecting changes in a timely way.

Chapter 2

Universe Construction

This section provides explanation on the steps for constructing the Investable Universe.

2.1 Eligible Securities

All listed equity securities on the Indonesian Stock Exchange (IDX) which are constituents of the Jakarta Composite Index (JCI) are evaluated using the criteria described below for inclusion in the Investable Universe. Warrants and rights are not eligible for inclusion. A security will not be considered for inclusion immediately upon delisting from the Indonesian Stock Exchange.

2.2 JCI Index Inclusion Requirement

This criteria is applied at the individual security level. In order to be eligible for inclusion in the Investable Universe, a security must have been a member of the JCI Index for at least three months prior to the review date.

2.3 Minimum Size Requirement

This criteria is applied at the individual security level.

In order to be eligible for inclusion in the Investable Universe, a security must have the required minimum free-float adjusted market capitalisation. The minimum size threshold is derived using the following procedure.

- First, the securities are sorted in descending order of free-float adjusted market capitalisation and the cumulative coverage of the free-float adjusted market capitalisation is computed at each security.
- Second, when the cumulative free-float adjusted market capitalisation coverage of 99% of the total is achieved, the free-float adjusted market capitalisation of the security at that point is the minimum size threshold.

2.4 Minimum Liquidity Requirement

This criteria is applied at the individual security level. In order to be eligible for inclusion in the Investable Universe, a security must meet the liquidity requirement defined below, measured by:

- Annual Traded Value Ratio - 12-month and 3-month
- Frequency of Trading - 3-month

2.4.1 Annual Traded Value Ratio

The Annual Traded Value Ratio (ATVR) of a security is calculated using the following procedure.

- First, the median of the daily trading values of the security is computed for each month.
- Second, the median of the daily trading values of each month is multiplied by the number of days in which the security is traded in the month and then divided by the free float adjusted market capitalisation of the security at the end of the month. This gives the monthly traded value ratio.
- Third, the 3-month ATVR is obtained by taking the mean of the monthly traded value ratio of the previous 3 months and annualising it by multiplying by 12. The 12-month ATVR is obtained similarly, using the previous 12 months of data.

If the security has been listed for less than 12 months, then the 12-month ATVR is obtained using the previous 6 months of data. If the security has been listed for less than 6 months, then the 12-month ATVR is the same as the 3-month ATVR.

A minimum liquidity level of 15% for both 3-month ATVR and 12-month ATVR are required for the inclusion of a security in the Investable Universe.

2.4.2 Frequency of Trading

The Frequency of Trading of a security is calculated using the following procedure.

- First, the number of days on which the security is traded is divided by the number of trading days for each month. This gives the monthly trading frequency.
- Second, the 3-month Frequency of Trading is obtained by taking the mean of the monthly trading frequency of the previous 3 months.

A minimum liquidity level of 80% of 3-month Frequency of Trading for each of the last 4 consecutive quarters is required for the inclusion of a security in the Investable Universe.

If the security has been listed for less than 12 months, then only the 3 month Frequency of Trading of the last two consecutive quarters will be considered. If the security has been listed for less than 6 months, then only the 3 month Frequency of Trading of the last quarter will be considered.

2.5 Index Inclusion

A security that is a constituent of the following indices is automatically eligible for inclusion in the Investable Universe, regardless of whether it satisfies the requirements specified in Sections 2.2 to 2.4.

- LQ45 Index
- IDX30 Index
- IDX80 Index
- Kompas 100 Index
- MSCI Indonesia Index
- FTSE Indonesia Index

2.6 Scoring System

Each security is assigned an integer score between 0 and 10 inclusive. Securities that meet the eligible requirements for the Investable Universe inclusion are assigned the maximum score of 10. The score for each security is retained and will be used in the next rebalance to evaluate consistency and continuity of inclusion.

Chapter 3

Universe Maintenance

The Investable Universe is maintained with the objective of reflecting the evolution of the equity market on a timely basis, while seeking to achieve the following.

- Universe continuity,
- Continuous investability of constituents and replicability of the universe, and
- Index stability and low index turnover.

3.1 Quarterly Reviews

The maintenance of the Investable Universe involves quarterly reviews in March, June, September and December. The reviews are performed at the end of the month and the results of a review will be effective for the following three months until the next review.

3.1.1 Minimum Size Requirement Update

The minimum size threshold is updated using the data obtained at the end of the month of the review (using the same procedure described in Section 2.3). Both non constituents and existing constituents of the Investable Universe will be evaluated relative to the updated threshold.

3.1.2 Criteria for Non Constituents

Non constituents of the Investable Universe are evaluated using the same procedure described in Sections 2.2 to 2.5. A non constituent that meets all the requirements are eligible for inclusion in the universe and assigned the score of 10.

3.1.3 Criteria for Existing Constituents

Existing constituents of the Investable Universe are evaluated using the following criteria.

1. An existing constituent that is removed from the JCI Index will be removed from the universe in the next review and will not be evaluated using criteria 2 to 5.

2. An existing constituent that does not meet the minimum size requirement as mentioned in Section 3.1 will have their score reduced by 5.
3. An existing constituent with 3-month ATVR or 12-month ATVR less than 10% will be removed from the universe and will not be evaluated using criteria 4 to 5. An existing constituent with 3-month ATVR or 12-month ATVR greater than 10% but less than 15% will have their score reduced by 5.
4. An existing constituent with 3-month Frequency of Trading less than 80% for any of the last 4 consecutive quarters will be removed from the universe and will not be evaluated using criteria 5.
5. An existing constituent with a score 0 or less will be removed from the universe. An existing constituent that does not get their score reduced from criteria 2 to 3 will have their score set to 10.
6. An existing constituent that is a member of the indices mentioned in Section 2.5 will remain in the universe, regardless of whether it was removed from criteria 1 to 5. The score for this constituent will be set to 10.

3.1.4 Data Used for Review

The data used for Investable Universe reviews are the available data on the last trading day of the month where the reviews take place. This means, the data cutoff dates are: the last trading day of March for March Universe Review, the last trading day of June for June Universe Review, the last trading day of September for September Universe Review, and the last trading day of December for December Universe Review. This is the relevant cutoff date for data used to update the minimum size requirement and liquidity calculations.

3.2 Delisted Securities

Existing constituents of the Investable Universe that are delisted from the Indonesian Stock Exchange will be immediately removed from the universe.

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