

Index Predictions

Index predictions for the June S&P rebalance

Equities

Australia
Quantitative

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June S&P rebalance: Announced before market Friday 6th June

The June rebalance for S&P/ASX indices will be announced before market open on Friday 6th June, effective on the close Friday 20th June. In June and December, only the S&P/ASX 200 and higher indices are subject to change. In line with our research, we find it is best to trade index changes a month before the rebalance date.

S&P/ASX 50:

UBS prediction: SEK to be added; WOR to be removed.

S&P/ASX 100:

Potential additions: ALZ (not considered due to takeover), TPI, FBU, FXJ, CSR, TPM.

Potential deletions: AUT (takeover), LEI (free float < 30%), RRL, MYR, REC.

UBS prediction: TPI, FBU, FXJ to be added; AUT, LEI, RRL to be removed.

S&P/ASX 200:

Potential additions: SDF, AMM, MYX, GXL, PIR, TGR

Potential deletions: AUT (takeover), LEI (free float < 30%), ACR, BRU, TRS, NWH.

Stocks not considered: JHC (large enough, but not enough data).

UBS prediction: SDF, AMM, MYX to be added; AUT, LEI, ACR to be removed.

Figure 1: S&P/ASX 200 flow estimates

| Symbol | Action | Shares to be traded (m) | Days of trading | New index weight (bps) |
|--------|--------------------|-------------------------|-----------------|------------------------|
| SDF | Addition | 14.3 | 11.0 | 3.20 |
| AMM | Addition | 10.9 | 17.9 | 3.36 |
| MYX | Addition | 25.9 | 17.4 | 3.28 |
| GXL | Potential addition | 2.6 | 26.5 | 3.02 |
| PIR | Potential addition | 16.8 | 30.6 | 3.31 |
| TGR | Potential addition | 5.6 | 12.4 | 3.47 |
| AUT | Deletion | 21.4 | 8.8 | - |
| LEI | Deletion | 2.7 | 4.3 | - |
| ACR | Deletion | 8.0 | 3.0 | - |
| BRU | Potential deletion | 11.6 | 14.9 | - |
| TRS | Potential deletion | 1.4 | 7.3 | - |
| NWH | Potential deletion | 13.8 | 8.2 | - |

Source: UBS estimates

Statement of Risk

Our quantitative models rely on reported financial statement information, consensus earnings forecasts and stock prices. Errors in these numbers are sometimes impossible to prevent (as when an item is misstated by a company). Also, the models employ historical data to estimate the efficacy of stock selection strategies and the relationships among strategies, which may change in the future. Additionally, unusual company-specific events could overwhelm the systematic influence of the strategies used to rank and score stocks.

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| UBS 12-Month Rating | Definition | Coverage ¹ | IB Services ² |
|-----------------------|---|-----------------------|--------------------------|
| Buy | FSR is > 6% above the MRA. | 47% | 33% |
| Neutral | FSR is between -6% and 6% of the MRA. | 42% | 34% |
| Sell | FSR is > 6% below the MRA. | 11% | 23% |
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| Buy | Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event. | less than 1% | less than 1% |
| Sell | Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event. | less than 1% | less than 1% |

Source: UBS. Rating allocations are as of 31 March 2014.

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