

IDX Cyclical Economy 30 Index Guide & Methodology

(Appendix of IDX Announcement No. Peng-00155/BEI.POP/07-2024 dated July 12, 2024)

1. INDEX INFORMATION

1.1. General Information

Index Name	IDX Cyclical Economy 30
Index Code	ECONOMIC30
Description	An index that measures the stock price performance of 30 cyclical stocks based on sub-sectors of IDX Industrial Classification (IDXIC) with relatively large market capitalization, high liquidity, and good fundamentals.
Methodology	Capped Adjusted Free Float Market Capitalization Weighted On each periodic review, the weight of each constituent in the index is capped, therefore the highest weight in the index is no more than 25%.
Base Date	March 1, 2019 (Base Value = 100)
Launch Date	July 13, 2024

1.2. General Selection Criteria

Universe	Constituents of IDX Composite that have been listed for at least 12 months.
Selection	<p>1. Initial Selection</p> <ol style="list-style-type: none"> Excludes stock that listed on a special monitoring board; Select stocks that have been consistently traded for the last 12 months; Select stocks by the cyclical stock classification based on the IDX Industrial Classification (IDXIC) sub-sector. <p>2. Constituent Selection</p> <p>From the remaining universe, 30 constituents with the highest ranking are selected based on the following factors:</p> <ol style="list-style-type: none"> Liquidity: transaction value, transaction frequency and free float market capitalization; Maintaining sector representation; Fundamentals: financial performance, compliance, and others.

2. INDEX MAINTENANCE

2.1. Periodic Evaluation

	Major Evaluation	Minor Evaluation
Evaluation Period	February and August	May and November
Effective Date	First trading day of March and September	First trading day of June and December
Process / Purposes	Select the stocks of index constituents.	
	<ul style="list-style-type: none"> - To adjust of changes in the number of listed shares. - Adjust stock weights based on their free float ratios. - Adjust the stock weights based on the cap. 	
Announcement	5 exchange days or later prior to the effective date.	

2.2. Incidental Evaluation

Besides the periodic evaluation, incidental evaluation can be done at any time if there are significant changes in the number of shares, delisting, or if there is any other information that has significant impact on an index constituent.

3. CONSTITUENT SELECTION PROCESS

3.1. Universe

The universe used in the process of selecting constituents for the IDX Cyclical Economy 30 index are constituents of IDX Composite that have been listed for at least 12 months.

3.2. Process of Determining Selected Constituents

3.2.1. Initial Selection

From the universe stock, the constituent's selection process are as follows:

1. Excludes stock that listed on a special monitoring board;
2. Select stocks that have been consistently traded for the last 12 months;
3. Select stocks by the cyclical stock classification based on the IDX Industrial Classification (IDXIC) sub-sector as follows:

Table 1 – Cyclical Stock Classification

No.	Sector	Sector Code	Sub-Sector Code	Sub-Sector
1.	Consumer Cyclicals	E	E1	Automobiles & Components
2.			E2	Household Goods

No.	Sector	Sector Code	Sub-Sector Code	Sub-Sector
3.			E3	Leisure Goods
4.			E4	Apparel & Luxury Goods
5.			E5	Consumer Services
6.			E6	Media & Entertainment
7.			E7	Retailing
8.	Financials	G	G1	Banks
9.			G2	Financing Service
10.			G3	Investment Service
11.			G4	Insurance
12.			G5	Holding & Investment Companies
13.	Basic Materials	B	B1	Basic Materials
14.	Properties & Real Estate	H	H1	Properties & Real Estate

3.2.2. Determination of Selected Constituents

From the remaining universe, 30 constituents with the highest ranking are selected based on the following factors:

1. Transaction value in regular market;
2. Transaction frequency in regular market;
3. Free float market capitalization;
4. Maintaining sector representation;

To maintain constituent representation in each cyclical sector according to the IDX-IC sector in table 1, constituent adjustments are made by replacing constituents starting from the lowest ranking with constituents in sectors that are not yet represented.

5. Fundamentals: financial performance, compliance, and others.

4. METHODOLOGY OF INDEX CALCULATION

4.1. Index Calculation Formula (Weighting Method)

The index uses “Capped Adjusted Free Float Market Capitalization Weighted” methodology. This method adds the free float ratio factor into the market capitalization. The index calculation formula is as follows:

$$Index = \frac{\sum_{i=1}^n (Market\ Cap_i \times Free\ Float\ Ratio_i)}{Base\ Market\ Cap} \times 100$$

Where:

Market Cap _i	=	Total listed shares × market price of stock i
Free Float Ratio _i	=	Ratio of number of free float shares to the total listed shares of stock i
n	=	Number of index constituents
Base Market Cap _i	=	Market capitalization on the Base Date (adjusted in the evaluation period if there are any changes in the number of shares for the index)

4.2. Process of Adjusting Stock Weight Based on Free Float Ratio

At each evaluation period, the weight of each stock is evaluated based on the value of the free float ratio. There is no technical difference in weight adjustment between major evaluation and minor evaluation. In the major evaluation, this process is preceded by the selection of the index constituents.

4.2.1. Calculation of Free Float

The free float ratio of each stock is calculated based on the ratio of the free float to the total listed shares. The free float definition used follows the definition in Rule Number I-A and Circular Letter No.SE-00010/BEI/07-2023. Afterwards, the percentage value of the free float ratio is rounded to two decimal places.

4.2.2. Calculation of Free Float Adjusted Market Capitalization

The free float adjusted market capitalization of each stock is calculated as follows:

$$MC_i = P_i \times S_i \times FF_i$$

Where:

MC _i	=	Free float adjusted market capitalization of stock i
P _i	=	Price of stock i
S _i	=	Total listed shares of stock i
FF _i	=	Free float ratio of stock i

4.2.3. Calculation of Stock Weight

The weight of each stock is calculated as follows:

$$Weight_i = \frac{MC_i}{\sum_{i=1}^n MC_i}$$

Where:

MC _i	=	Free float adjusted market capitalization of stock i
n	=	Number of constituents
$\sum_{i=1}^n MC_i$	=	Total free float adjusted market capitalization of all constituents

4.3. Stock Weight Capping

During the evaluation period, both major evaluation and minor evaluation, the number of shares is also adjusted to ensure the weight of a stock in the index does not exceed the specified cap.

If there is no constituent that has a weight exceeding the cap, then this step is not necessary. But if there is one or several stocks that have a weight of more than the cap, then the process of adjusting stock weight by capping is applied as follows:

4.3.1. Determining the Number of Capped Stocks

In this process, the number of stocks with weights above the cap are determined. The number of capped stocks = s and the number of uncapped stocks = $t = 1-s$.

4.3.2. Calculating the Free Float Adjusted Market Capitalization of Capped Stocks

If MC_s is the total free float adjusted market capitalization of capped stocks and c is the cap, then:

$$MC_s = \frac{s \times c}{1 - (s \times c)} \times MC_t$$

Where:

MC_s	=	Total free float adjusted market capitalization of all capped stocks
MC_t	=	Total free float adjusted market capitalization of all uncapped stocks
s	=	Number of capped stocks
c	=	Cap

4.3.3. Calculating the Capped Free Float Market Capitalization

If $MC_{i,s}$ is the free float adjusted market capitalization of a capped stock, then:

$$MC_{i,s} = \frac{1}{s} \times MC_s$$

4.3.4. Calculating the Number of Shares for the Index

The adjusted number of shares for index (Adj. S_i) of a stock is calculated by rounding the stock's free float market capitalization divided by the stock price, as the following formula:

$$\text{Adj. } S_i = \left\lfloor \frac{MC_i}{P_i} \right\rfloor_{\text{rounded}}$$

If a stock is a capped stock, MC_i is equal to $MC_{i,s}$.

4.3.5. Calculating Final Stock Weight

The final weight of each stock is calculated as follows:

$$\text{Weight}_i = \frac{\text{Adj. } MC_i}{\sum_{i=1}^n \text{Adj. } MC_i}$$

$$\text{Adj. MC}_i = \text{Adj. S}_i \times P_i$$

Where:

Weight _i	=	Weight for stock index i
Adj. MC _i	=	Market capitalization of stock i after adjustment of free float and capping.
$\sum_{i=1}^n \text{Adj. MC}_i$	=	Total market capitalization of all stocks after adjustment of free float and capping.
n	=	Number of constituents

The weight adjustment process is complete if each index constituent does not exceed the cap. The adjustment process should be repeated if there is still any stock that have a weight of more than the cap as a result of the preceding weight adjustment in other stocks.

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