VettaFi

# HK Funds Capital Appreciation Index

# HKCX

April 2025

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# Introduction

## Index Objective

The HK Funds Capital Appreciation Index is designed to track the performance of US-listed Large/Mid Cap securities expected to show capital appreciation by targeting securities with growing dividends that are reflected in the index's price performance in conjunction with positive relative market performance.

## Highlights

The index market cap weights securities that meet and maintain high dividend growth together with strong dividend coverage and low dividend payout which together translates into stable yields and positive price performance. The index excludes sub-industries that don't align with the index's capital appreciation objectives.

## Dates

- **Reference Date**: Close of the last business date of February, May, August, and November.
- **Weight Date**: Close of the Thursday before the 2nd Friday of March, June, September, and December.
- **Reconstitution Dates**: Indexes are reconstituted quarterly on the close of the 3rd Friday of March, June, September and December.
- **Rebalance Dates**: Indexes are rebalanced quarterly on the close of the 3rd Friday of March, June, September and December.

## Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein.

The list of the main supplemental documents for this methodology can be found in the Methodologies and Governance tabs on the Index Resources page as follows:

| **Supporting Documents** |
|---|
| Index Maintenance Policy |
| Index Governance |
| Index Policies |
| Methodology Policies |
| Glossary |
| Index Change and Consultation Policy |
| VettaFi Country Classification System |

# Eligibility Criteria and Index Construction

## Universe

Constituents of the VettaFi US Equity Large/Mid-Cap 1000 Index (SNR1000).

# Index Construction

## Constituent Selection

### Eligibility

The index selects companies with the following attributes:

- Have quarterly dividend payments.
- Consistent significant dividend growth over midterm and shorter lookback periods.
- Low dividend payout reflected in a low capped dividend yield, high dividend coverage ratio, and capped payout ratio.
- Minimum annualized price performance that exceeds dividend growth rate.

The index excludes companies in the following sectors/industries:

- Oil and Gas (excluding Services)
- Banks
- Education and Real Estate Credit
- Liability and Warranty Insurance
- Miscellaneous Financial Services
- Asset Management and Investment Companies
- On Site Home Builders
- Metals and Mining
- Real Estate & REITs
- Utilities

Each company is represented once by the listing with the highest liquidity, provided it meets the eligibility criteria.

### Selection

Companies are removed at reconstitution if:

- The prior year's dividend growth, the last two years dividend growth, or the last three years of dividend growth don't meet minimum moderate growth rates.
- The stock price has underperformed the VettaFi US Equity Large-Cap 500 Index (SNR500) for two years in a row

Securities that meet eligibility criteria that exhibit large dividend-stock price correlations are selected with a buffer applied to the correlation requirement for existing securities to limit turnover. If less than 25 securities are selected using the correlation criteria, the minimum correlation criteria are lowered iteratively until at least 25 constituents are selected.

### Constituent Weightings & Constraints

Constituents are market-cap weighted. At reconstitution securities are capped at 8% and the cumulative weight of companies with weight greater than 5% cannot exceed 45%. On rebalance dates the weight constraints are applied if any constituent exceeds 12%. Excess weights are redistributed using VettaFi's Multi-Constraint Capped Weight Smoothing Process.

## Index Maintenance

### Rebalancing and Reconstitution

The Indexes are rebalanced on the "Rebalance Date" and additionally reconstituted on the "Reconstitution Date". Pricing used in share weights used for reconstitutions are as of the "Weight Date". Share weights for the rebalanced Indexes are computed as of the "Weight Date". Changes to the Indexes related to the rebalances are as of the "Rebalance Date". Additions are only made on reconstitution dates.

Current companies within the index must meet the Eligibility criteria every 7 years at the time of reconstitution.

### Corporate Actions

Please refer to the Index Maintenance Policy document for information on Corporate Action processing.

## Index Information

Index history availability, base dates and base values are shown in the table below.

| Index | Base Date | Base Value | Price Index | Total Return Index | Net Total Return Index |
|---|---|---|---|---|---|
| HK Funds Capital Appreciation Index | 12/17/2004 | 1000 | HKCX | HKCXT | HKCXN |

Methodology Updates and Changes

| Date | Version | Previous | New |
|---|---|---|---|
| Apr 2025 | 1.0.0 | | Initial Version |

# Index Calculation

Please refer to the Index Maintenance Policy document for information on index calculations.

# Index Governance

The index is governed and managed by a VettaFi Index Committee for the purpose of meeting the goals of the index. For more information, please refer to the Index Governance document.

# Index Policies

Please refer to the Index Policies document for information regarding Announcements, Holiday Schedules, Unexpected Exchange Closures, and Recalculation Policy.

# Contact Information

For any questions regarding an index, please contact: index.production@vettafi.com

# Disclaimer