



Pakistan Stock Exchange



Alfalah Investments

ALFALAH CONSUMER INDEX

ACI INDEX

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ALFALAH CONSUMER INDEX (ACI INDEX)

The index aims to track the performance of stocks of top 20 companies among pre-defined sectors that have the highest free float based market cap in the sector.

Universe: All companies listed on main board of PSX within pre-defined sectors.

1. FREE - FLOAT METHODOLOGY

Free-Float means proportion of total shares issued by a company that are readily available for trading at the Stock Exchange. It generally excludes the shares held by controlling directors / sponsors / promoters, government and other locked-in shares not available for trading in the normal course.

1.1 OBJECTIVE AND DESCRIPTION

- Free-Float calculation can be used to construct stock indices for better market representation than those constructed on the basis of total market capitalization of companies.
- It gives weight for constituent companies as per their actual liquidity in the market and is not unduly influenced by tightly held large-cap companies.
- Free-Float can be used by the Exchange for regulatory purposes such as risk management and market surveillance.

Total Outstanding Shares		xxx	xxx
Less	Government Holdings	xxx	
	Shares held by Directors / Sponsors / Senior Management Officers and their Associates	xxx	
	Shares in Physical Form	xxx	
	Shares held by Associate Companies / Group Companies (Cross Holdings)	xxx	
	Shares issued under Employees Stock Option Scheme that cannot be sold in the Open market in normal course	xxx	
	Treasury Shares	xxx	
	Any other category that are barred from Selling at the review date	xxx	xxx
Free Float			xxx

The scrip should include in the top Companies, ranked on the basis of highest free-float market capitalization based on the latest free float submitted by the companies.

The free-float market capitalization for each company is calculated by multiplying its total outstanding free-float shares with the closing market price on the day of composition / re-composition.

2. INDEX METHODOLOGY

2.1 SECURITY SELECTION CRITERIA

PRE –DEFINED SECTORS: Following is the list of sectors along with no of maximum securities which shall be considered as the 'Constituents' of the Alfalah Consumer Index:

Sector	No of Companies
CEMENT	4
ENGINEERING	4
TEXTILE COMPOSITE	4
AUTOMOBILE ASSEMBLER	2
FOOD & PERSONAL CARE PRODUCTS	2
OIL & GAS MARKETING COMPANIES	2
PHARMACEUTICALS	2
Total	20

IMPACT COST FILTER: Securities should have an Average Impact Cost of equal to or less than 1.5%;

ONE (1) YEAR DAILY AVERAGE TRADING VOLUME FILTER: Securities should have a one year daily average trading volume of at least 100,000/-

Rank the companies on highest free float based market cap in the sector on index rebalancing and/or Addition/deletion dates i.e. 30th June and 31st December of each year.

FREE FLOAT MARKET CAP: Top 20 companies among pre-defined sectors.

The Company which is on the Defaulters' Segment in preceding 6 months from the date of re-composition shall not be considered for inclusion in Alfalah Consumer Index.

Exception to the Criteria:

- The Company which is on the Defaulters' Segment in preceding 6 months from the date of re-composition shall not be considered for inclusion in Alfalah Consumer Index.
- In a circumstances wherein, ETF basket cannot be formed with 20 securities from the abovementioned filters (impact cost and average trading volume) then liquidity criteria shall be relaxed.

2.2 DETERMINATION OF WEIGHT

The determination of weight will be based on free float market capitalization, while ensuring that the maximum weight of a single stock in the index will be 10% at the time of composition/rebalancing. Index weight in excess of 10% of any single stock shall be distributed to the remaining stocks based on their respective weight in the index and subject to maximum limit.

3. BASE PERIOD

The base period of ACI Index is 15-December-2021 and the base value is 10,000 index points. This is indicated by the notation 2021 = 10,000. The calculation of ACI Index involves dividing the free-float market capitalization of selected companies in the Index by a number called the Index Divisor. The Divisor is the only link to the original base period value of the ACI Index. It will keep the Index comparable over a period of time and will also be the adjustment point for all future corporate actions, replacement of scrips etc.

4. MAINTENANCE OF ACI INDEX

The day-to-day maintenance of the Index will be carried out within the Index Policy Framework set by the Pakistan Stock Exchange (PSX) and Alfalah GHP Investment. The Management of PSX will ensure that ACI Index and all the other PSX indices maintain their benchmark properties by striking a balance between frequent replacements in indices and maintaining their historical continuity.

5. RE-COMPOSITION/ REBALANCING

Index shall be recomposed/rebalanced on semi-annually/quarterly basis

Review period	Notice/Implementation	Actions
Last working day of March	Notice: After the market hour on 4 th working day Implementation: At opening of 5 th working day	Rebalancing
Last working day of June		Reconstitutions
Last working day of September		Rebalancing
Last working day of December		Reconstitutions

Index composition may be provided to Index licensee (Alfalah investment) a working day before from implementation of index re-composition.

6. ON -LINE COMPUTATION OF INDEX

During market hours, prices of the Index constituents at which trades are executed, are automatically used by the trading computer to calculate the ACI Index and continuously make updations on all trading workstations connected to the PSX trading computers on real time basis.

7. ADJUSTMENT IN THE ACI INDEX FOR CORPORATE ACTIONS

ACI Index shall be calculated on total return basis and corporate actions (Cash dividend, Bonus and Right issue) adjustments shall be made in order to maintain the index continuity. If no adjustments were made, a discontinuity would arise between the current value of the index and its previous value despite the non-occurrence of any economic activity of substance. At the Exchange, the base value will be adjusted, which is used to alter market capitalization of the component stocks to arrive at the ACI Index value.

The determination of Ex price of a security is mentioned in Rule 10.6 of PSX Rule Book that: *"If the Books of a Security are closed for determining any entitlement for its shareholders by the Company, the Exchange shall determine the ex-price based on the mechanism prescribed by the Exchange, as an opening price for the Trading Day falling on two Settlement Day before its Books Closure starting date"*.

New Divisor shall be calculated due to corporate action at the end of T-3 days of its Book Closure starting date. E.g. Starting day of Book Closure = Friday, new divisor shall be calculated at day end of Tuesday.

The adjustment for corporate actions will be made as given under:

7.1 ADJUSTMENT FOR CASH DIVIDEND

ACI Index is a total return index; therefore, adjustment of cash dividend will be made.

If company declared a 10% cash dividend:

ACI Index (A) = 1,120 points

ACI Index market capitalization (B) = Rs. 13,950,000,000

Divisor (B/A) = 12,455,357

Constituents	Share Price	Free Float Shares	Free Float Market Capitalization (RS)
Stock A	22.50	50,000,000	1,125,000,000
Stock B	41.00	150,000,000	6,150,000,000
Stock C	44.50	150,000,000	6,675,000,000
Total Free Float Market Capitalization			13,950,000,000

Step-1

Determine the ex-dividend price of the stock A to calculate the revised market capitalization and a new divisor for the next day

Stock A

Par value: Rs.10 per share

Closing Price: Rs. 22.50 per share

Cash Dividend 10 % of par value

i) Cash dividend amount per share = par value x dividend% = Rs 10 x 10% = Rs.1

ii) Ex-dividend price = closing price – cash dividend amount = Rs.22.50 – Rs.1 = Rs.21.50

Step-2

Illustration, Revision in the Market Capitalization and Divisor

Share price of stock A shall be adjusted after the close of day to calculate the New Divisor for the next day

Constituents	Share Price	Free Float Shares	Free Float Market Capitalization (Rs)
Stock A	21.50	50,000,000	1,075,000,000
Stock B	41.00	150,000,000	6,150,000,000
Stock C	44.50	150,000,000	6,675,000,000
Revised Free Float Market Capitalization			13,900,000,000

New Divisor = Revised Market Cap. / Index points

$$13,900,000,000 / 1120 = 12,410,714$$

7.2 ADJUSTMENT FOR BONUS SHARES

Declaration of Bonus requires adjustment in the free float capitalization and within the Index Divisor itself. The following process illustrates the process for a situation whereby a stock A has declared 10% bonus in terms of shares. Following steps are recommended to be followed in order to determine the price of Ex-Bonus of Stock A to calculate the revised free-float market capitalizations and new divisor for the next day.

Step-1

ACI Index = 1,120 points

Free-float market capitalization = Rs. 13,950,000,000

Divisor = 12,455,357

Closing Price of Stock A: Rs. 22.50

Bonus: 10 %

Stock lot size= 100 Shares

Given below example, calculates the Ex-bonus price on the basis of a stock lot size of 100 shares by observing following steps.

- Total free-float shares after the Bonus issue: $100 + (100 \times 10\%) = 110$ shares
- Cost of stock-lot size 100 shares x closing price of stock A: $100 \times 22.50 = \text{Rs. } 2,250$

Ex-Bonus Price: $2250 / 110 = \text{RS } 20.45$

Step-2

Illustration, Revision in the Market Capitalization and Divisor

Share price and free-float shares of stock A shall be adjusted after the close of day to calculate the New Divisor for the next day

Stock A		
Free Float shares	Bonus	Total free float shares
50,000,000	10%	55,000,000

Constituents	Share Price	Free Float Shares	Free Float Market Capitalization
Stock A	20.45	55,000,000	1,124,750,000
Stock B	41.00	150,000,000	6,150,000,000
Stock C	44.50	150,000,000	6,675,000,000
Revised Free Float Market Capitalization			13,949,750,000

*New Divisor = Revised Market Cap. / Index points

$$13,949,750,000 / 1120 = 12,455,134$$

*Divisor changed as stock prices are reported in two decimal places

7.3 ADJUSTMENT FOR RIGHT SHARES

Closing price of stock is adjusted with right issue (Face Value / Premium/ Discount) and free float of stock will be increased as per the Right Ratio.

Right issue at Par

If Stock A has issued 10 % right shares at par value

$$\text{ACI Index} = 1,120 \text{ Points}$$

$$\text{ACI Index Market Capitalization} = \text{Rs } 13,950,000,000$$

$$\text{Divisor} = 12,455,357$$

Step:1

Determine the Ex-Right price of the stock A to calculate the revised free-float market capitalization and a new divisor

Closing price of Stock A: Rs 22.50

Right: 10 %

For simplicity in working, we will calculate the Ex-Right price on the basis of a lot of 100 shares.

i. Total free-float shares after the Right issue

$$100 \text{ shares} + (100 \text{ shares} \times 10 \% \text{ Right}) = 110 \text{ shares}$$

ii. Cost of a lot (100 shares)

100 shares x closing price of stock A + 10 right shares x par value

= (100 x 22.50) + (10 x 10)

= Rs 2,350

iii. Ex- Right price per share = 2,350/110

= Rs 21.36

Step 2

Share price and free-float shares of Stock A shall be adjusted after the close of Day to calculate the New Divisor for the next day.

Stock A		
Free Float shares	Right Issue	Total Free Float shares
50,000,000	10%	55,000,000

Constituents	Share Price	Free Float Shares	Free Float Market Capitalization
Stock A	21.36	55,000,000	1,174,800,000
Stock B	41.00	150,000,000	6,150,000,000
Stock C	44.50	150,000,000	6,675,000,000
Revised Free Float Market Capitalization			13,999,800,000

New Divisor = Revised Market Cap/ Index points

New Divisor = 13,999,800,000/1,120= 12,499,821

7.4 BONUS AND RIGHT ISSUE ADJUSTMENT (SIMULTANEOUSLY)

If Stock A has announced;

Bonus: 10%

Right: 10%

At a Premium of Rs 10 per share

Closing price: Rs 22.5

ACI Index = 1120 points

ACI Index Market Capitalization = 13,950,000,000

Divisor = 12,454,357

Step 1

Calculate the Ex-Bonus and Ex- Right price of the stock A:

For simplicity we will calculate its price on the basis of a lot of 100 shares.

I. Total shares after the Right issue and Bonus

100 shares + (100 shares x 10 % Right) + (100 shares x 10% Bonus)

100+ 10 +10 = 120 shares

II. **Cost of a lot (100 shares)**

100 shares x closing price of stock A + {10 right shares x (par value + premium)}

= 100 x 22.50+ 10 x (10+10) = Rs 2,450

III. **Ex-Bonus and Ex- Right price per share = 2,450/120 = Rs 20.42**

Step 2

Share price and free-float shares of stock A shall be adjusted after the close of Day to calculate the New Divisor for the next day

Stock A			
Free Float shares	Right Issue	Bonus	Total Free Float shares
50,000,000	10%	10%	60,000,000

Constituents	Share Price	Free Float Shares	Free Float Market Capitalization
Stock A	20.42	60,000,000	1,225,200,000
Stock B	41.00	150,000,000	6,150,000,000
Stock C	44.50	150,000,000	6,675,000,000
Revised Free Float Market Capitalization			14,050,200,000

New Divisor = Revised Market Cap/ Index points

New Divisor = 14,050,200,000/ 1,120 = 12,544,821