



بورصة قطر  
Qatar Stock Exchange

# QE AL RAYAN ISLAMIC INDEX

## INDEX METHODOLOGY & MAINTENANCE

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## TABLE OF CONTENTS

1. Index Summary .....	3
2. Governance and Disclaimer .....	7
3. Publication .....	8
3.1 The Opening, Intraday and Closing or Daily Publication of Index Values .....	8
3.2 Exceptional Market Conditions and Corrections .....	8
3.3 Announcement Policy .....	9
4. Calculation of the Index .....	9
4.1 Calculation of the Price Index .....	9
4.2 Calculation of the Total Return Index .....	10
5. Index Reviews .....	10
5.1 General Aim of Reviews and Frequency .....	10
5.2 Index Universe and Selection Principle .....	10
5.3 Periodical Update of Weighting .....	11
6. Corporate Actions .....	11
6.1 General .....	11
6.2 Removal of Constituents .....	12
6.3 Split-up/Spin-off .....	13
6.4 Early Inclusion of Non Constituents .....	14
6.5 Rights Issues and Other Rights .....	14
6.6 Bonus Issues, Stock Splits and Reverse Stock Splits .....	14
6.7 Increase in Capital .....	14
7. Formulas and Definitions .....	15
7.1 Index Calculations Formaulas .....	15
7.2 Definitions .....	16

## 1. Index Summary

FactSheet	QE AI Rayan Islamic Index (Price)
<b>Full Name</b>	QE AI Rayan Islamic Index (Price)
<b>Index Type</b>	Price Return Index
<b>Index Governance Structure</b>	The Index Committee is the Supervisor and responsible for setting the rules and the selection. Qatar Stock Exchange (QSE) is the Compiler and responsible for the calculation and day-to-day management of the index.
<b>Review of Composition</b>	Semi-annual: First trading day of April, and First trading day of October
<b>Review Period</b>	The 12 months observation ending last trading day in February for April Review, The 12 months observation ending last trading day in August for October Review.
<b>Eligible Stocks</b>	Equity securities listed and available for trading on the Qatar Stock Exchange for more than six months (as of the end of the Review Period) that are Shari'a compliant according to Al Rayan's Shari'a Supervisory Board. Index constituents must have individual shareholder limit of no less than 1%. <u>Velocity Eligibility:</u> (exception made for the Top 10 companies ranked according to average daily traded value during the Review Period) Index constituents must have recorded annual share velocity greater than 5%.
<b>Selection</b>	a. The resultant list of securities is weighted by free float market capitalisation and any stock with less than 0.5% is excluded from consideration. This step determines qualifying stocks only.  b. A liquidity scaling factor is to be applied to free-float market cap of the stocks whose free float to ADV ratio is less than the average of

	<p>the index constituents. The factor is applied to reduce the free float of less liquid stock in the index to the effect that the new free float to ADV ratio is equal to index average. Step B provides a ranking of securities according to liquidity adjusted free float market capitalisation</p> <p>c. Customized weights are assigned to the index constituents such that weight of top component is 15%, 2nd 12%, 3rd 10%, next two 7.5%, next eight constitute 40% in total, 2nd smallest banding has 2.5% each and components make up 3%. The weighting of the last group of constituents may be diluted for any new additions.</p>
<b>Number of Constituents</b>	Not fixed
<b>Weighting</b>	Tiered weighting structure based on liquidity adjusted free float market capitalisation
<b>Effective Date of the Review</b>	First to last business day of March and September
<b>Calculation Frequency</b>	Real time
<b>Base Date</b>	January 3rd, 2007
<b>Base Level</b>	1,000
<b>Historic Data Available Since</b>	January 3rd, 2007
<b>Derivatives and Linked Products</b>	None
<b>ISIN Code</b>	QA000A1XRKQ7
<b>Mnemonic Code</b>	QERP
<b>Bloomberg Code</b>	QERP
<b>Reuters Code</b>	.QERP
<b>Launch Date</b>	January 7th 2013

FactSheet	QE AI Rayan Islamic Index
<b>Full Name</b>	QE AI Rayan Islamic Index
<b>Index Type</b>	Total Return Index
<b>Index Governance Structure</b>	The Index Committee is the Supervisor and responsible for setting the rules and the selection. Qatar Stock Exchange (QSE) is the Compiler and responsible for the calculation and day-to-day management of the index.
<b>Review of Composition</b>	Semi-annual: First trading day of April, and First trading day of October
<b>Review Period</b>	The 12 months observation ending last trading day in February for April Review, The 12 months observation ending last trading day in August for October Review.
<b>Eligible Stocks</b>	Equity securities listed and available for trading on the Qatar Stock Exchange for more than six months (as of the end of the Review Period) that are Shari'a compliant according to Al Rayan's Shari'a Supervisory Board. Index constituents must have individual shareholder limit of no less than 1%. <u>Velocity Eligibility:</u> (exception made for the Top 10 companies ranked according to average daily traded value during the Review Period) Index constituents must have recorded annual share velocity greater than 5%.
<b>Selection</b>	a. The resultant list of securities is weighted by free float market capitalisation and any stock with less than 0.5% is excluded from consideration. This step determines qualifying stocks only.  b. A liquidity scaling factor is to be applied to free-float market cap of the stocks whose free float to ADV ratio is less than the average of the index constituents. The factor is applied to

	<p>reduce the free float of less liquid stock in the index to the effect that the new free float to ADV ratio is equal to index average. Step B provides a ranking of securities according to liquidity adjusted free float market capitalisation</p> <p>c. Customized weights are assigned to the index constituents such that weight of top component is 15%, 2nd 12%, 3rd 10%, next two 7.5%, next eight constitute 40% in total, 2nd smallest banding has 2.5% each and components make up 3%. The weighting of the last group of constituents may be diluted for any new additions.</p>
<b>Number of Constituents</b>	Not fixed
<b>Weighting</b>	Tiered weighting structure based on liquidity adjusted free float market capitalisation
<b>Effective Date of the Review</b>	First to last business day of March and September
<b>Calculation Frequency</b>	Real time
<b>Base Date</b>	January 3rd, 2007
<b>Base Level</b>	1,000
<b>Historic Data Available Since</b>	January 3rd, 2007
<b>Derivatives and Linked Products</b>	None
<b>ISIN Code</b>	QA000A1RRAX6
<b>Mnemonic Code</b>	QERI
<b>Bloomberg Code</b>	QERI
<b>Reuters Code</b>	.QERI
<b>Launch Date</b>	January 7th 2013

## 2. Governance and Disclaimer

### ***Compiler***

Qatar Stock Exchange is the compiler of the index (“Compiler”). The Compiler is responsible for the day-to-day management of the index and is also responsible for decisions regarding the interpretation of the rules

### ***Supervisor***

The Index Committee acts as independent supervisor of the index (“Supervisor”). The Supervisor is responsible for monitoring the selection of constituents for the index and ensuring that the index offers a reliable and representative view of the market. All Supervisor decisions will be published without delay following the decision (after the market close)

### ***Cases not covered in this Document***

In cases which are not expressly covered in this document, operational adjustments will take place in line with the aims of the index. Operational adjustments may also take place if, in the opinion of the Compiler it is desirable to do so to maintain a fair and orderly market in derivatives on the indices and/or this is in the best interests of the investors in products based on the indices and/or the proper functioning of the markets. The Compiler will report to the Supervisor if it took a decision about a case which is not specifically covered in the rules for comments and review.

### ***Methodology Book Changes***

This methodology may be supplemented, amended in whole or in part, revised or withdrawn at any time. Supplements, amendments, revisions and withdrawals may also lead to changes in the way the indices are compiled or calculated or affect the indices in another way. The Compiler will submit all decisions regarding supplementing, amending, revising or withdrawing these rules to the Supervisor for recommendations or approval.

### ***Liability***

The Compiler will do everything within its power to ensure the accuracy of the composition, calculation, publication and adjustment of the indices. However, nor QSE, nor the Compiler, nor the Supervisor are liable for any inaccuracy in share prices, calculations and the publication of the indices, the information used for making adjustments to the indices and the actual adjustments. Furthermore, QSE, The Compiler and The Supervisor, do not guarantee the continuity of the composition of the indices, the continuity of the calculation of the indices, the continuity of the dissemination of the index levels, or the continuity of the calculation of the indices.

## ***Ownership and Trademarks***

QSE owns of all intellectual and other property rights to the indices, including the name, the composition and the calculation of the indices.

## ***QSE Trading Rulebook***

This methodology book applies to the QE Al Rayan Islamic Index whereas the underlying components are subject to the QSE Trading Rule Book. Thus, QSE may refer to the QSE Trading Rule Book in any event to justify a decision related to the Indices in the best interest of the users and the market.

# **3. Publication**

## **3.1 The Opening, Intraday and Closing or Daily Publication of Index Values**

### ***Opening***

The opening level is calculated using the opening prices of traded constituents or in the case of constituents that have non-traded, halted or suspended status, the last traded prices or estimated prices (for IPOs, buyouts and swap offers) are used, instead.

### ***Dissemination Frequency***

The indices are calculated in real time during QSE markets continuous trading sessions.

### ***Closing Level and Opening Level***

The closing level is the last level disseminated on the trading day. It is determined using the QSE's official closing price for each constituent. In cases where the index constituents are non-traded, halted or suspended, the previous day closing prices are used instead.

## **3.2 Exceptional Market Conditions and Corrections**

The Compiler retains the right to delay the publication of the index's opening level. The Compiler also retains the right to suspend the publication of the index level if it believes that the circumstances prevent the proper calculation of the index.

If prices are cancelled, the indices will not be recalculated unless The Compiler decides otherwise.



### **3.3 Announcement Policy**

#### ***General Announcement Policy***

Changes to the index, its components or its methodology will be announced in an index announcement that will be distributed via email, official letters, press-release and/or on the QSE website.

As a rule, the announcement periods that are mentioned below will be applied, however, urgent treatments or late notices may require QSE to deviate from the standard timing.

#### ***The Review Announcement Date***

The inclusion or exclusion of companies in the indices will be announced at least six trading days before the actual inclusion by way of QSE Market Notice. The notice will include indicative shares and weightings based on closing constituent prices of that day.

#### ***The Review Composition announcement date***

Following market close the day prior to the effective date of the index review, a QSE Market Notice will be published containing full details of the index composition that will come into effect next trading day. This includes final numbers of index shares for all constituents included in the index, plus the index divisor.

#### ***Corporate Actions***

In case of an event that could affect one or more constituents, The Compiler will inform the market about the intended treatment of the event in the index shortly after the firm details have become available and have been confirmed. Once the corporate action has been effectuated, The Compiler will confirm the changes in a separate announcement.

#### ***Methodology Changes***

Barring exception, a period of at least one month or 20 business days should pass between the date a proposed change is published and the date this comes into effect. Exceptions can be made if the change is not in conflict with the interests of an affected party.

## **4. Calculation of the Index**

### **4.1 Calculation of the Price Index**

The calculation is based on the adjusted free float market capitalization divided by the divisor. The divisor was determined on the base capitalization of the index and the base level. The

divisor is adapted as a result of corporate actions and composition changes.

Only regular market trades contribute to index calculation.

#### **4.2 Calculation of the Total Return Index**

Total return index measures the market performance, including price performance and income from dividend payments. The dividend amounts are reinvested in the index on the ex-date (the day after the AGM). The reinvested dividend amount is subject to dividend purification factors provided by Al Rayan Investment.

Only regular market trades contribute to index calculation.

## **5. Index Reviews**

### **5.1 General Aim of Reviews and Frequency**

#### ***General Aim of the Periodical Review***

The general aim of the periodical review of the index is to ensure that the selection and weighting of the constituents continues to reflect the purpose of the index.

#### ***Frequency***

The index is reconstituted semi-annually on the first trading day of April and October based on a twelve month observation ending last trading day respectively in February and August.

### **5.2 Index Universe and Selection Principle**

#### ***Index Universe***

The universe of the index is defined as all equities securities listed and available for trading on the Qatar Stock Exchange for more than six months (as of the end of the Review Period), that have been granted Fatwa by Al Rayan Shari'a Board as Shari'a compliant.

If 2 weeks prior to the effective date of a rebalance, a qualifying stock is found to be suspended for a period greater than 5 trading days, it will not then be considered for index inclusion as of the rebalance date.

#### ***Selection of Constituents***

- a. The Shari'a compliant list of securities is weighted by free float market capitalisation and any stock with less than 0.5% is excluded from consideration. This step determines qualifying stocks only.
- b. Liquidity scaling factor is to be applied to free-float market cap of the stocks whose free float to ADV ratio is less than the average of the index constituents. The factor is applied to reduce the free float of less liquid stock in the index to the effect that the new free float to ADV ratio is equal to index average. Step B provides a ranking of securities according to liquidity adjusted free float market capitalisation
- c. Customized weights are assigned to the index constituents such that weight of top component is 15%, 2nd 12%, 3rd 10%, next two 7.5%, next eight constitute 40% in total, 2nd smallest banding has 2.5% each and remaining components constitute 3%. The weight of the bottom three constituents may be diluted for any new addition to the index.

### ***Exclusion of Constituents***

Equities whose individual shareholder limit is less than 1%.

Equities outside the Top 10 (ranked according to average daily traded value during the Review Period) that have not met an annual share velocity greater than 5% (In other words, their total value traded should represent at least 5% of the simple average daily market capitalization of the company during the Review Period)

Only regular market trades are considered in the velocity review.

### **5.3 Periodical Update of Weighting**

#### ***Update of Number of Shares***

Changes in the number of free float shares for underlying stocks will not be reflected in the index until the next review period

## **6. Corporate Actions**

### **6.1 General**

The index may be adjusted in order to maintain the continuity of the index level and the composition. The underlying aim is that the index continues to reflect as closely as possible the value of the underlying portfolio.

Adjustments take place in reaction to events that occur with constituents in order to mitigate or eliminate the effect of that event on the index.

All corporate actions and dividends are implemented at the effective date (ex-date); i.e. with corporate actions where cash or other corporate assets are distributed to shareholders, the price of the stock will drop on the ex- day. Changes in weights due to corporate actions are distributed proportionally across all index components and equal an investment into the portfolio.

For the corporate actions listed in sections 6.2 to 6.9 below, the following assumptions apply:

» Shareholders will receive “B” new shares for every “A” share held (where applicable)

## **6.2 Removal of Constituents**

A constituent will be removed from the index, if possible at least five business days prior the announced effective date, if it has appeared that the liquid trading will be significantly affected due to a takeover, merger, bankruptcy or has ceased to be a viable constituent as defined by the rules. The constituent in question will either be removed or will be replaced by the acquiring company.

Removed constituents may be reentered at the occasion of the next review if they fulfill the basic requirements for inclusion in the index again.

If a company is removed from the index, the divisor will be adapted to maintain the index level.

### ***Mergers and Acquisitions***

In the event of a bid in cash, the target company will be removed from the index. In the event of a merger, acquisition or similar situation where the bid is made in the form of shares, the constituent in question will be replaced by the company that will continue to be traded during regular daytime trading, provided that this company complies with the requirements for inclusion in the index in line with the criteria defined in the Index reviews section. The removal or the replacement will take place after the close of the first (full) business day after the offer being declared unconditional or successful. Target securities are deleted from the QSE Indexes at their closing market prices. The replacement of the shares of the relevant index constituent by the shares of the company that continues to be traded will be executed on the basis of the bid ratio.

In case of a mixed bid of cash and shares the Compiler will treat the bid as a share bid if the share part amounts to at least 75% of the offer price, on the day of the publication of the terms of the offer. The replacement of the shares of the relevant index constituent by the shares of the company that continues to be traded will be executed on the basis of the bid ratio. The divisor will be adapted only for the cash part of the offer price.

QSE reserves the right to apply a specific treatment in non standard situations like:

- a. Competing bids with differing closing dates or structures;
- b. Offers made without the intention to gain full ownership.

A separate announcement detailing the specific treatment will be issued timely to the market.

### ***Suspension and Company Distress***

If regular trading in shares of a constituent is interrupted or is suspended for 30 trading days, the company in question will be immediately and automatically removed from the index. No replacement will be made until the next review period.

In cases where the company is still trading, it will be deleted based on the last traded price established during regular daytime trading. When a last traded price is not available the company would be removed at a price determined by QSE, where possible supported by an objective source. If no such price is available the company may also be deleted at 0.

### ***Price Sources***

In the event that the trading in shares is suspended, the last known price established during regular daytime trading will be used.

QSE may decide to use other sources or determine another price if it is deemed necessary to do so.

### **6.3 Split-up/Spin-off**

In the event that a constituent is split up, the securities resulting from the split, including the original stock where appropriate will continue to be included in the index providing they still qualify in their own right.

For the purposes of this methodology a split-up is taken to mean a legal demerger, a spin-off or another situation which QSE deems to be similar.

In case the shareholder of the company which was originally included in the index does not automatically receive shares in a company which is created as a result of the split up, the shares of such company will not be immediately included in the index, and will only be considered for inclusion at the next periodical review on the basis of the selection criteria set out in section 5, provided that the condition that shares must be listed and available for trading for more than 6 months will not apply.

The removal of any non-qualifying company resulting from a split-up will take place after the close of the first day of trading in the shares of that company. If all companies resulting from the split are to be removed, the removal will take place at the close of the last trading day before the split.

On the ex-date of a spin-off, an adjusted price is applied to the price of the security of the parent company:

Adjusted price = (closing price × A - price of spin-off shares × B) / A

#### **6.4 Early Inclusion of Non-Constituents**

Inclusion to the index will only take place on the periodical review or as a result of an index corporate action.

#### **6.5 Rights Issues and Other Rights**

In the event of a rights issue the new shares will be included in the index on the ex-date of the rights issue and an adjusted closing price will be applied as calculated by the Compiler. The adjustment will be made based on the shares currently in the index. The divisor of the index will also be adjusted. QSE shall only effect adjustments if the rights represent a positive value.

Adjusted price = (closing price × A + subscription price × B) / (A + B)  
New number of shares = old number of shares × (A + B) / A

Due to AGM notice period and operational procedures, right issues may cause a suspension in trading of the underlying. A notice mentioning all relevant details will be issued in a timely manner.

#### **6.6 Bonus Issues, Stock Splits and Reverse Stock Splits**

For bonus issues, stock splits and reverse stock splits, the number of shares included in the index on the ex-date will be adjusted in accordance with the ratio given in the corporate action. Since the event won't change the value of the company included in the index (offset by change in share price), the divisor will not be changed because of this.

##### **Bonus Issues**

Adjusted price = closing price × A / (A + B)  
New number of shares = old number of shares × (A + B) / A

##### **Split**

Adjusted price = closing price × A / B  
New number of shares = old number of shares × B / A

Due to AGM notice period and operational procedures, bonus issues, splits and reverse splits may cause a suspension in trading of the underlying. A notice mentioning all relevant details will be issued in a timely manner

#### **6.7 Partial Tender Offers on Own Shares**

The Compiler will adjust the divisor of the index if the premium represents more than 5% of the share price of the close on the penultimate day before the ex-date. The premium is

calculated as the difference between the offered price and the closing price, multiplied by the percentage of the share capital targeted in the offer. If the divisor is adjusted, the number of shares in the index will be adjusted as well.

Adjusted price = [(price before tender × old number of shares) – (tender price × number of tendered shares)] / (old number of shares - number of tendered shares)

New number of shares = old number of shares - number of tendered shares

## 7. Formulas and Definitions

### 7.1 Index Calculation Formulas

#### Price Return: QE AI Rayan Islamic Price Index

The price index formula is

$$Price\ Index\ Level_t = \frac{[\sum_{i=1}^N P_{i,t} * Q_{i,t}]}{Divisor_t}$$

Where:

*t* day of calculation

*N* Number of the Index constituents

*i* *i* varying between 1 and *N*

$P_{i,t}$  Closing Price of the *i*<sup>th</sup> constituent at the day *t*

$Q_{i,t}$  Number of Shares of the *i*<sup>th</sup> constituent at the day *t*

#### Total Return : QE AI Rayan Islamic Index

Where an XD adjustment occurs, to transpose the announced dividend into index points.

$$XD = \sum_{i=1}^N \frac{(Div_i * DPF_i * W_i)}{Divisor}$$

$Div_i$  Dividend per share of the *i*<sup>th</sup> constituent

$W_i$  weighting of the *i*<sup>th</sup> constituent in the Index

$DPF_i$  is the Dividend Purification factor of the *i*<sup>th</sup> constituent in the Index provided by AI Rayan Investment

The dividend is assumed to be reinvested at the close of the ex-date.

$$QE\ Al\ Rayan\ Islamic\ Index_t = QE\ Al\ Rayan\ Islamic\ Index_{t-1} \left( \frac{Price\ Index\ Level_t + XD}{Price\ Index\ Level_{t-1}} \right)$$

## 7.2 Definitions

### *Free Float*

Free-float is defined as the outstanding capital less shareholdings by the Government, Founders and Board Members.