

# S&P/NZX Index Insights

## A Photo Finish

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S&P DJI have confirmed at the September 2020 quarterly index review that The New Zealand Refining Company (NZR) will exit the benchmark S&P/NZX 50 indices, allowing Serko (SKO) to enter. Changes are effective close of market, Friday, 18 September 2020.

**Serko confirmed to enter the S&P/NZX 50 benchmark indices**

As expected, SKO will enter the S&P/NZX 50 benchmark indices due to NZR dropping below the required level of six-month average market capitalisation. SKO will enter with an index weight of approximately 0.23% (rank 48). We estimate passive demand for SKO will be in the order of +1.4m shares (11.2x ADV) and -3.6m shares for NZR (7.8x ADV).

**Figure 1. September 2020 review: Confirmed changes**

Index	Enter	Exit	Expected Weight (rank)
S&P/NZX 10	No change		
S&P/NZX 20	No change		
S&P/NZX 50	SKO	NZR	0.23% (48)
S&P/NZX 50 Portfolio	SKO	NZR	0.34% (48)

Source: Forsyth Barr analysis, S&amp;P DJI

**Quarterly re-weightings confirmed – Looking ahead**

As with each quarterly index review, S&P have updated indexed shares along with Investable Weighting Factors (IWFs) for index constituents. The companies with the largest re-weightings are presented in Figure 2. Updated indexed shares (i.e. via revised Adjustable Weighting Factors) for the S&P/NZX 50 Portfolio index will be released to index subscribers, close of market, Friday, 11 September 2020.

Looking forward, with the acquisition of Metlifecare (MET) by Asia Pacific Village Group (APVG) currently proceeding, we have again updated our index inclusion/exclusion index model. Using current six-month average free float market cap rankings and liquidity calculations, our model suggests that the most likely replacement for MET would be (1) Tower (TWR) or (2) Hallenstein Glasson (HLG), given, at this point, TWR's current liquidity figures are borderline.

We again note that based on our calculations, Pacific Edge (PEB) will not be eligible for current index inclusion having (just) failed the liquidity threshold at the September 2020 index review. Should our calculations be incorrect, then PEB would rank ahead of TWR and would enter the S&P/NZX 50 benchmark indices should MET be removed.

**Figure 2. September 2020 review: Major reweighting changes expected**

Index	Current Weight	Expected Weight	Total Change
<b>S&amp;P/NZX 50 Index</b>			
SKO	n/a	0.23%	+0.23%
SKC	1.49%	1.70%	+0.20%
NZR	0.10%	n/a	-0.10%
RYM	4.64%	4.23%	-0.41%
<b>S&amp;P/NZX 50 Portfolio Index</b>			
SKO	n/a	0.34%	+0.34%
NZR	0.14%	n/a	-0.14%
<b>S&amp;P/NZX 10 Index</b>			
AIA	10.77%	10.94%	+0.17%
RYM	7.29%	6.70%	-0.59%

Source: Forsyth Barr analysis, S&amp;P DJI

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