



52-Week High

Index Methodology
January 2021

Version History

No.	Date	Author	Comments
1.0	1/26/2021	E. Bae	Initial

Introduction

Academic research shows that momentum—buying recent strength—can often lead to further gains and attractive risk-adjusted returns across a range of asset classes and geographies. The **Salt 52-Week High Index** (“Index”) targets stocks at or near their 52-week closing highs—a key indicator of strength and price momentum familiar to many investors. The index is designed to target this well-known factor.

Beginning with the top 1000 largest US stocks, the Index screens for the 300 that are closest to their 52-week high and have made the biggest moves recently, ultimately selecting the 50 best performers over the previous quarter.

52-Week High - Overview

Index Ticker	SFFTW (Gross Total Return)
Base Index	Solactive US Large & Midcap Index (top 1000 US stocks ranked by market capitalization)
Number of Components	50
Calculation Agent	Salt Financial Indices LLC Upon licensing for an exchange-traded product or other investment vehicle, calculation responsibilities will be transferred to Solactive AG.
Multiple Classes and Dual Listing	Companies with multiple classes of stock may be represented by more than one class in the index as long as the class meets the other criteria for inclusion. Companies that are dually-listed on more than one exchange are only represented once by the listing market with the highest volume in that stock (typically the primary listing).
Rebalance Dates	The Effective Date is after the close on the last business day of every month with the Selection Date (2) business days prior to the Effective Date.

52-Week High Index Construction

1. Eligible Universe

The Index begins with stocks in the Base Index with a full 52-week price range, defined as having a closing price for each of the past 252 trading days.

2. 52w Ratio and Momentum Score

The universe is further filtered to the 300 stocks with the highest 52w Ratio as defined by:

$$52w\ Ratio_t = \frac{Price_{t-21} - 52w\ Low_{t-21}}{52w\ High_{t-21} - 52w\ Low_{t-21}}$$

The 52w Ratio puts more weight on stocks making larger moves from their 52-week lows, aiming to capture more aggressive price momentum.¹ The measure is lagged by one month (21 trading days) to account for the well documented short-term reversion exhibited by single-stock momentum strategies.²

Each stock is then ranked by its Momentum Score, defined as:

$$Momentum\ Score_t = \frac{1}{63} \sum_{i=0}^{63} \left(\frac{Price_{t-i}}{Price_{t-i-1}} - 1 \right)$$

The Momentum Score is NOT lagged, as the correction for short-term price reversion is already captured in the 52w Ratio.

3. Index Selection

The 50 stocks with the highest Momentum Score are selected for index inclusion. All index components are equally weighted on the rebalancing date.

¹ Liu, A., Yeat, N., "The 52-Week High and Momentum Investing—A Replication of George and Hwang (2004)", available at: <https://tinyurl.com/yyujlu3s>

² Jegadeesh, J., "Evidence of Predictable Behavior of Security Returns", The Journal of Finance, Vol XLV, No. 3 (July 1990), pp 881-898 available at: <https://tinyurl.com/y3s2ojj5>

4. Rebalancing

The Index is rebalanced/reconstituted monthly on the last trading day of every month.

Index Maintenance

Rebalancing

The 52-Week High Index is rebalanced (and reconstituted) *monthly* according to the following timeline:

- Stocks are selected using prices and other criteria as of the close of trading 21 trading days prior and the day of the Selection Date.
- Share weighting for each stock in the index is based on the price at the close on the Selection Date.
- Adjustments to capture the additions, deletions, and rebalancing weights of existing components are as of the close of trading on the Effective Date.

Since the weighting is determined 2 trading days prior, the actual index weights at the close on the Effective Date may differ from equal weight due to market movements.

The Index Committee may change the date of a given rebalancing for reasons including market holidays or extraordinary events such as technology or other major market disruptions occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

The Index Committee reserves the right to make exceptions when applying the methodology if the need arises. If any changes differ from the stated methodology, clients will receive sufficient notice, whenever possible.

Buffer Rule

To minimize turnover, a buffer rule is applied to limit the number of monthly adds/deletes to **50%** of the components in the Index (25 stocks).

At each Selection Date, the 25 stocks with the highest Momentum Score rankings are selected first, unconstrained by the buffer. Next, any stocks currently in the Index on the Selection Date with a Momentum Score ranking at or above **100** are retained until the number of stocks reaches 50. If this process fails to reach the required 50, the Index selects enough of the remaining stocks with the highest Momentum Score rankings to complete the Index.

Corporate Actions

Action	Adjustment
Spin-off	A spun-off company remains in the index until the next rebalance date.
Stock Split	Index shares are multiplied by and the price is divided by the split factor.
Special Dividends	The price of the stock is reduced by the per share special dividend amount after the close of trading on the day before the ex-date.
Delisting, acquisition, or any other corporate action resulting in deletion of the stock as a listed equity on a public equity exchange.	<p>The stock is dropped from the index with no additions until the next quarterly rebalancing. Absolute weights of the remaining index components change but the relative weightings stay the same.</p> <p>In the event there is no achievable market price for a stock being deleted due to bankruptcy, suspension or other event, it can be removed at zero or some other price at the discretion of the Index Committee.</p>

Disclaimer

All information for an index prior to its Inception Date is back-tested, based on the methodology that was in effect on the Inception Date. Back-tested performance, which is hypothetical and not actual performance, can frequently result in material differences between back-tested results and actual results achieved by an investment strategy.

Past performance of an index is not a guarantee of future results. Charts, graphs, and other performance indicators are provided for illustrative purposes and may reflect hypothetical historical performance. The back-test period does not necessarily correspond to the entire available history of any particular index.

Back-tested calculations are generally prepared with the benefit of hindsight. No hypothetical calculation can comprehensively account for all the factors that may impact actual performance. Index returns shown do not represent the results of any strategy tracking the index, including any sales charges, commissions, or other fees charged to purchase securities, fund, or other investment vehicles.

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