



# Consultation Document

## Adjustment of SET Well-Being Index

Consultation Period: February 27 – March 31, 2023

## Contents

Part 1: Introduction .....	3
Part 2: Consultation Issues .....	4
Part 3: Consultation Form .....	8

## Part 1: Introduction

The Stock Exchange of Thailand (SET) currently has various types of Index. In the last few years, SET has developed Thematic Indices to reflect the movement of securities groups with the specific investment objective in accordance with the index users' needs, performance benchmark or underlying Index for financial instruments, etc.

SET has continuously reviewed the methodology and selection criteria for these indices to reflect Index's objectives, the index users' needs, and in line with international standards. SET Well-being Index, which reflect the movement of securities in the seven sectors of Thailand's outstanding industry, has been able to reflect the investment theme. However, in the last two years the global capital market situation has changed due to external factors, such as the COVID-9 pandemic, which may limit the current selection criteria and return based on the objectives of the Index.

SET, therefore, would like to propose for the adjustment of SET Well-being Index's methodology and to seek for participants' opinions and feedback on such changes. Participants can provide comments or suggestions to SET from now until March 31, 2023. For questions, please contact the SET Index team via either email at [IndexTeam@set.or.th](mailto:IndexTeam@set.or.th) or telephone at 02-009-9568.

## Part 2: Consultation Issues

SET Well-being Index (SETWB), launched in 2019, is an index that reflects the performance of 30 securities from the seven sectors of Thailand's outstanding industry, with competitiveness, appealing to foreign investors, and meaningfully contribute to the gross domestic product (GDP). These seven sectors consist of Agribusiness, Commerce, Fashion, Food & Beverage, Health Care Services, Tourism & Leisure, and Transportation & Logistics.

SET Well-being Index has the selection criteria comprising of both qualitative and quantitative criteria. Qualitative: being securities in the seven sectors as specified, with a profitable for at least 2 out of 3 years. Quantitative: market capitalization, free float, turnover ratio. (Figure 1)

Figure 1 shows the screening criteria for the SET Well-being Index



### Overview of SET Well-being Index

With the close observation over the past few years, the performance and constitution of SET Well-being Index has undergone significant changes. There are few noteworthy points to mention as follows:

- The proportion of market capitalization of the Index compared to SET has continuously decreased, and Index turnover has been higher than in the past. (Figure 2)
- The proportion of market capitalization of the sectors included in the SET Well-being Index compared to SET has shown an increasing trend. However, the total market capitalization of the securities in each sector that were constituents in SET Well-being Index compared to SET has decreased. (Figure 3)
- Total market capitalization of some constitute sectors has significantly decreased in some sectors. The Food & Beverage sector and Transportation & Logistics sector market capitalization within the index have significantly decreased, while the Tourism & Leisure sectors has decreased to the point where there are no securities left in the constitute. (Table 1)

Therefore, it can be seen that under the recent capital market conditions, the current selection criteria of the SET Well-being Index may not be able to accurately reflect the return of each particular sector as intended by the index.

Figure 2 shows the proportion of market capitalization and Index turnover of the SET Well-being Index compared to SET at review period.

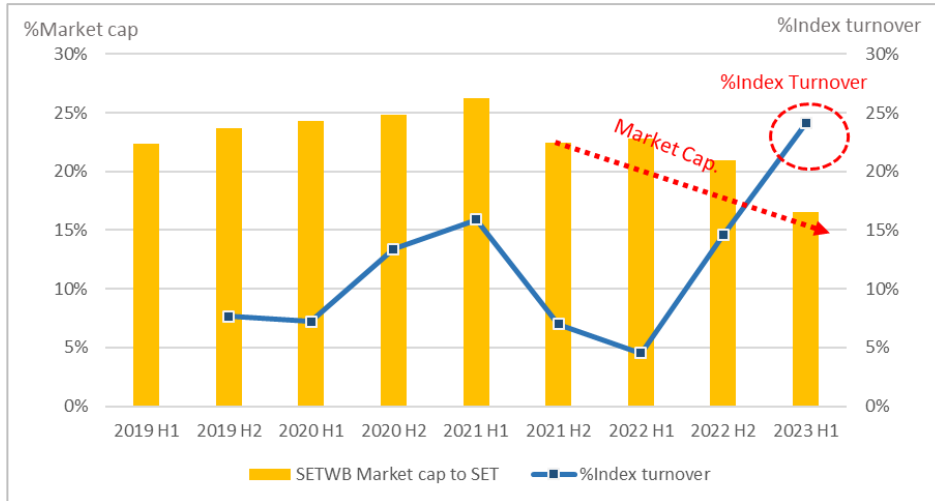


Figure 3 shows the proportion of market capitalization of the SET Well-being Index compared to SET’s market capitalization, and the proportion of market capitalization of the universe sectors compared to SET’s market capitalization.

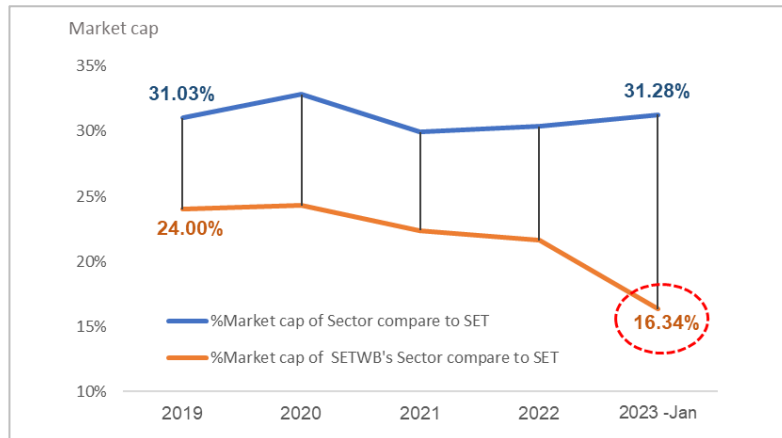


Table 1 shows the proportion of market capitalization of constituents in the SET Well-being Index compared to the market capitalization of each sector.

	2019	2020	2021	2022	2023 -Jan
<b>TOURISM</b>	55.61%	46.92%	42.45%	20.14%	0.00%
<b>AGRI</b>	32.51%	22.53%	31.56%	46.56%	34.11%
<b>FOOD</b>	64.63%	68.98%	71.44%	59.47%	44.48%
<b>HEALTH</b>	74.20%	77.07%	77.66%	77.29%	87.54%
<b>COMM</b>	83.58%	69.38%	78.47%	70.61%	73.52%
<b>TRANS</b>	86.95%	88.75%	79.61%	85.10%	20.79%

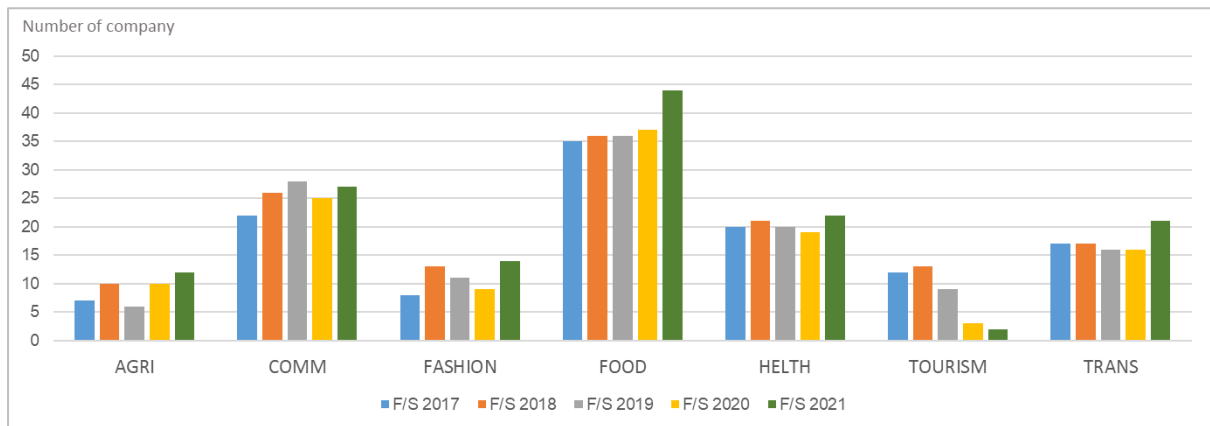
**The influential factors on securities selection of SET Well-being Index**

Further review and observation of the surrounding market circumstance and business nature of SET Well-being targeted industry sector provide interesting and meaningful factor that influence the securities selection of SET Well-being index. By carefully review these factors, it could lead to the appropriate adjustment on index calculation methodology which can improve the index to be able to represent those targeted sector as intended.

Business cycle of the company’s performance: When considering the 5-year performance of the listed companies, the statistics show that the number of profitable securities in each universe sector of the SET Well-being Index has fluctuated significantly each year due to different business cycles. As a result, the number of profitable companies in each sector may increase or decrease differently. (Figure 4)

Therefore, another observation is the qualitative criteria that consider the profits of securities (2 in the past 3 years) may be another reason for these changes. The list of securities and the proportion of the sectors in the SET Well-being Index have changed significantly according to the business cycle, affecting the index’s ability to reflect its objective accurately.

Figure 4 shows the total number of profitable securities in each the universe sector of SET Well-being Index, 2017-2021 financial statement period.

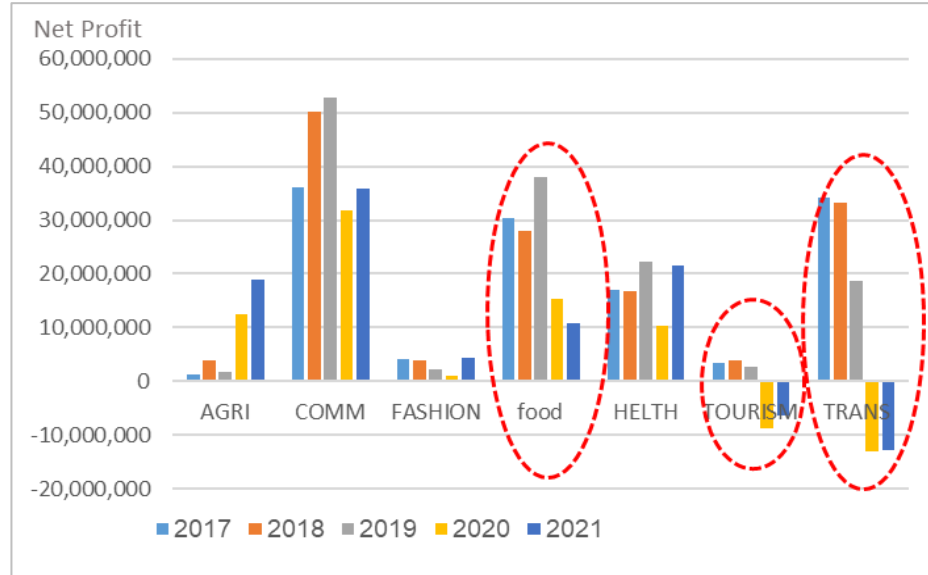


External factors affecting the SET Well-being Index: The COVID-9 pandemic has had a significant impact on the real business sector, especially for business in Tourism & Leisure, Transportation & Logistics and Food & Beverage sectors, which are part of the universe of the SET Well-being Index. As a result, many large securities representing these sectors have not been profitable for the past 2-3 years (Figure 5) and have been excluded from the SET Well-being index. This has led to a higher index turnover and may have also caused the selected securities to not appropriate for the sector’s representative. In total, five large securities in the Food and Beverage, Tourism & Leisure, and Transportation & Logistics sectors were



excluded from the index due to profit screening criteria, with their market capitalization in each sector, representing for 14%, 60%, and 70% respectively.

Figure 5 shows the total net profit of Top 5 securities of each sector of the SET Well-being Index’s universe



International practice of the Thematic Indices: SET has studied the methodology of Thematic Indices in foreign markets, it shows that most of the index providers follow similar selection criteria. That is, after selected securities related to a business theme, they do not consider fundamental factors for further screening the securities for inclusion in the Index. (Table 2)

Table 2 Showing the comparison between the selection criteria for Thematic Index of the SET Well-being Index and foreign indices

Index provider	Example of Thematic Index	Selection Criteria
SET	SET Well-being	Using profit as qualification criteria for securities selection
MSCI	<ul style="list-style-type: none"> <li>• MSCI ACWI IMI Digital Economy Index</li> <li>• MSCI ACWI IMI Smart Cities Index</li> <li>• MSCI ACWI IMI Ageing Society Opportunities Index</li> </ul>	Using revenue as a criteria to determine if a securities is in the relevant theme
S&P Dow Jones	<ul style="list-style-type: none"> <li>• S&amp;P Kensho Electric Vehicles Index</li> <li>• S&amp;P Kensho Digital Communities Index</li> <li>• S&amp;P Kensho Digital Health Index</li> </ul>	Not using fundamental information for securities selection
FTSE Russell	<ul style="list-style-type: none"> <li>• FTSE Global New Energy Index</li> <li>• FTSE Global Fintech &amp; Blockchain Index</li> </ul>	
Other: Hang Seng, Indxx	<ul style="list-style-type: none"> <li>• Hang Seng China New Economy Index</li> <li>• Indxx Aging Population Thematic Index</li> </ul>	

**Adjustment proposal**

In order for the SET Well-being Index to properly reflect the price movements, reduce the impact of external factors and the Index turnover, and in accordance with international standards, the changes in selection criteria is proposed as follow:

- Remove the profit consideration from qualitative selection criteria, while other selection criteria remain the same.
- Apply this adjustment from June 2023 onward



**Part 3: Consultation Form**

**1. General Information**

Name – Last Name: \_\_\_\_\_

Company: \_\_\_\_\_ Symbol: \_\_\_\_\_

Position: \_\_\_\_\_

Tel / Mobile No.: \_\_\_\_\_

Email address: \_\_\_\_\_

Respondent Status (Can answer more than 1 question)

- |   |  |
|---|--|
| <input type="checkbox"/> Listed Company           | <input type="checkbox"/> Financial Advisor         |
| <input type="checkbox"/> Member company           | <input type="checkbox"/> Investors                 |
| <input type="checkbox"/> Asset Management Company | <input type="checkbox"/> Others (Please specify :) |

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**2. Opinions**

Do you agree with the guidelines for improving the selection criteria of the SET Well-being Index without using the profit screening criteria?

<input type="checkbox"/> Agree	
<input type="checkbox"/> Agree, with comments.	(Details, and please specify)
<input type="checkbox"/> Disagree	(Details, and please specify)
Other suggestions:	

Other suggestions:

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Please submit your comments using the online form by **March 31, 2023**

Please be informed that the personal data that you have provided will be processed and protected according to the privacy notification of The Stock Exchange of Thailand group, with details that you can study via <https://www.set.or.th/th/privacy-notice> .

SET would like to thank you in advance for your comments and suggestions.