

# TalkingPoints

## Capturing the Growth of the Australian Technology Industry



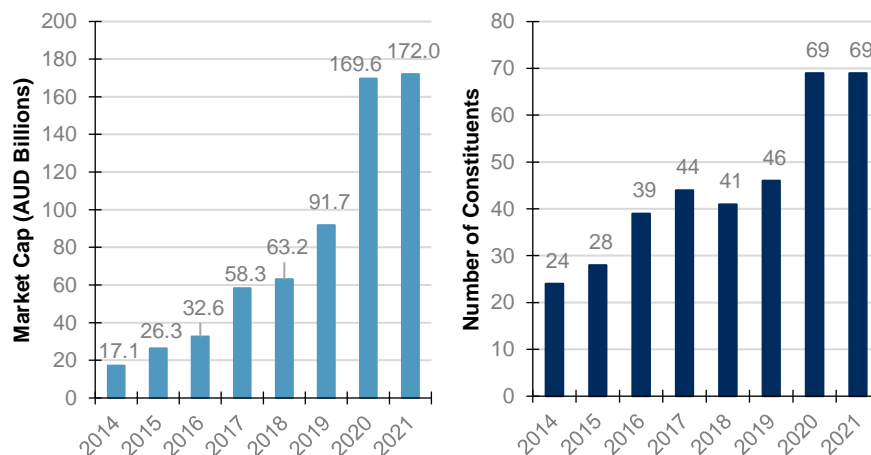
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The S&P/ASX All Technology Index highlights a unique and innovative segment of the Australian market.

### 1. Why was this index introduced?

In recent years, ASX-listed technology companies have experienced substantial growth in terms of both number of companies and market capitalization. In the past six years, the number of S&P/ASX All Technology Index constituents nearly tripled from 24 to 69, while the total market capitalization of these companies increased tenfold from AUD 17 billion to about AUD 170 billion.

### Exhibit 1: Growth of the Australian Technology Industry



Source: S&P Dow Jones Indices LLC. Data based on the S&P/ASX All Technology Index and is as of the last day of each year from 2014 to 2020. Data for 2021 is as of January's month-end. Charts are provided for illustrative purposes.

In a market heavily concentrated in banks and natural resource companies, there is significant demand for an index that captures the Australian technology sector in a comprehensive yet precise way.

Importantly, the technology segment measures a unique, innovative part of the market that remains a small portion of the broader Australian share universe. We also expect the index increase the visibility of technology-related business listed on the ASX, which should support further growth of the sector over time.

## 2. How does the index work?

The eligible universe is defined as all ASX-listed equity securities meeting minimum float-adjusted market cap and liquidity thresholds that are designed to capture companies beyond the S&P/ASX 300. All companies meeting these requirements and classified under the following GICS® groupings are selected for inclusion:

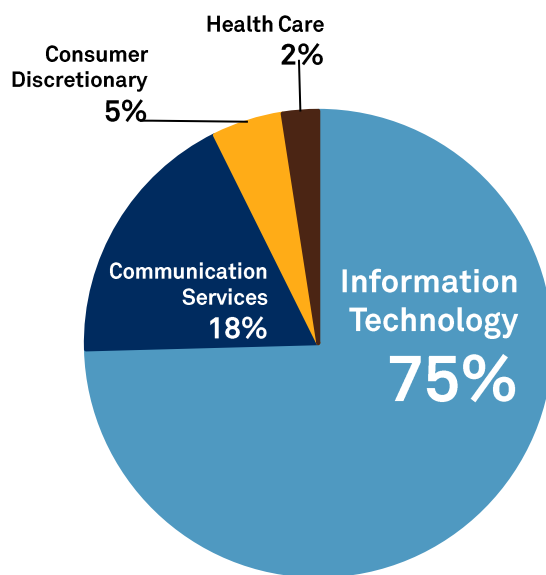
- Information Technology sector (45)
- Consumer Electronics subindustry (25201010)
- Internet & Direct Marketing Retail subindustry (25502020)
- Interactive Media & Services subindustry (50203010)
- Health Care Technology subindustry (35103010)

The index is weighted by float-adjusted market cap, subject to a 25% single stock cap, and is rebalanced quarterly.

## 3. What was the rationale for this index design?

In order to fully capture technology-driven businesses in Australia, we felt it was important to expand the scope beyond the GICS Information Technology sector. This allows the index to include other innovative technology-related industries such as health care technology and companies operating online marketplaces that are classified in other GICS sectors. Exhibits 2 and 3 illustrate the index weight exposure by GICS sector and subindustry as well as the largest index constituents.

**Exhibit 2: GICS Sector Composition**



Source: S&P Dow Jones Indices LLC. Data as of Jan. 29, 2021. Chart is provided for illustrative purposes.

**Exhibit 3: Top 10 Constituents**

NO	CONSTITUENT	GICS SECTOR	WEIGHT (%)
1	Afterpay Ltd	Information Technology	24.2
2	Xero Limited Npv	Information Technology	11.7
3	Seek Ltd	Communication Services	7.6
4	REA Group Ltd	Communication Services	5.6
5	Computershare Ltd	Information Technology	5.6
6	NEXTDC Ltd	Information Technology	4.1
7	Wisetech Global Limited	Information Technology	3.7
8	Carsales.com Ltd	Communication Services	3.7
9	Altium Limited	Information Technology	2.9
10	Link Administration Holdings Limited	Information Technology	1.9

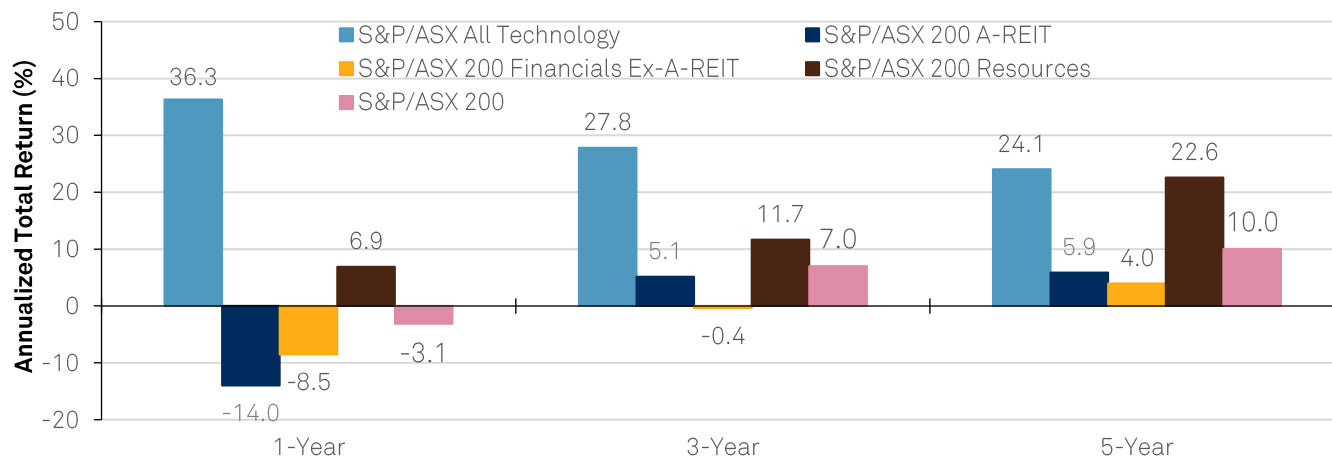
Source: S&P Dow Jones Indices LLC. Data as of Jan. 29, 2021. Table is provided for illustrative purposes.

Extending the universe beyond the S&P/ASX 300 while still incorporating meaningful investability constraints facilitates broad coverage of the sector and makes the index viable to support index-based financial products. We also chose to make IPOs eligible for addition on a quarterly basis to enable quick access to these businesses.

#### 4. How has the index performed historically compared with other major sectors of the Australian market?

As illustrated in Exhibit 4, the S&P/ASX All Technology Index substantially outperformed other major Australian equity sectors as well as the broader S&P/ASX 200 over the trailing one-, three-, and five-year periods ending Jan. 29, 2021.

**Exhibit 4: Outperformance of the S&P/ASX All Technology Index versus Other Major Australian Sector Indices and the S&P/ASX 200**



Source: S&P Dow Jones Indices LLC. Data as of Jan. 29, 2021. Index performance based on total return in AUD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

#### 5. How can the index be used?

The index is designed to be a broad representation of technology-related businesses listed on the ASX, while also incorporating investability requirements sufficient to support index-based financial products. As a result, it defines the investable universe of technology-related companies listed on the ASX and can be used to support index-linked investment products.

#### 6. What are the key benefits of the index?

##### Comprehensive Coverage of Technology Growth Theme

By reaching beyond the GICS Information Technology sector, the index includes other innovative technology-related industries such as health care technology and companies operating online marketplaces. Likewise, by including companies that have not yet graduated to the S&P/ASX 300, it offers earlier access to these smaller businesses that may have greater room for growth.

##### Precision

The index targets a unique, underrepresented segment of the Australian equity market. It exhibits distinct investment characteristics compared with major Australian equity sectors such as financials, real estate, and natural resources.

##### Liquidity

Although broad in nature, the index incorporates investability constraints designed to make it appropriate for use as an underlying benchmark for index-based investment products.

## PERFORMANCE DISCLOSURE

The S&P/ASX All Technology Index was launched February 21, 2020. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. Complete index methodology details are available at [www.spdji.com](http://www.spdji.com). Past performance of the Index is not an indication of future results. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results. Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

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