

Markit Suspended Shares service

Independent pricing for halted equities

KEY STATS

10+

exchanges

35

industry sectors

1,500+

average valuations per quarter

CUSTOMERS

Asset managers

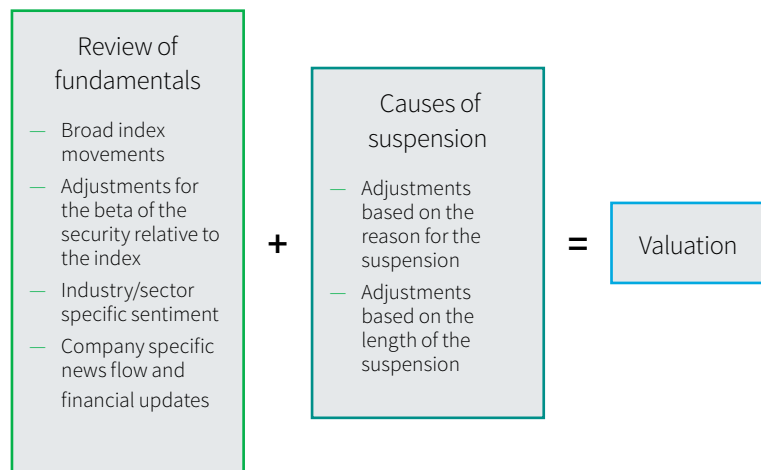
ETF managers

**Sovereign
wealth funds**

IHS Markit provides fund managers with prices for suspended equity holdings during times of heightened volatility or prolonged suspension.

Private equity valuation techniques are applied to better model suspended share price movements over the longer term (5 days +). Data from each exchange is reviewed to provide inputs to the model, and the model is back-tested to ensure effectiveness.

Our suspended share methodology takes into account the specific cause of the halt, including technical suspension, fraud, M&A and organization restructures. We combine this information with our in-depth review of a stock's fundamentals to ensure increased accuracy of valuations. IHS Markit's portfolio valuations analysts follow industry best practice to provide prices which meet our customers' valuation policy and financial reporting requirements.



Valuation compliance

Valuations provided using industry best practice methodologies and consistent with US GAAP and IFRS.

Independence

Objectively sourced market data is used to fuel valuation models and make price adjustments.

Timeliness

Performed at the desired frequency: daily, monthly, quarterly or on request.

Data integrity

Models are calibrated daily and back tested to ensure accuracy.

Transparency

Valuations are supported by a detailed valuation report including the techniques used.

Back Testing

Global markets are always susceptible to volatility but towards the end of last year China's markets faced a particularly turbulent period. At the peak of the China suspended share crisis more than half of China's 2,808 listed companies halted trading, prompting the need for investors to fair value many securities.

Industry participants have rushed to implement fair value models based upon last traded price and index movements.

The validity of a valuation obtained in this way is inevitably eroded over time, since the price at which an investment last traded reflects the effects of conditions that existed on that date.

We have back-tested our model with positive results:

- 100% of fair value prices were directionally correct.
- 95.5% of portfolio price movements, over extended periods of suspension (average suspension period of 146 days) were captured.
- We observed an average of +3.5% difference between Markit's predicted prices compared with the trade resumption prices (range of -10.9% to 16.4%).
- Markit's results compared favourably against the common practice of valuing securities at their last known trading price – this method would have resulted in an average over valuation of 36.1%.

The following table shows the details of Markit's back testing results:

Ticker		Days Suspended	Trade Resumption Price *	Markit Valuation @ Trading Date	% Delta	If Held at Last Traded Price % Delta
000024-CN	China Merchants Property Dev.	178	28.15	25.07	-10.9%	13.5%
600277-CN	Inner Mongolia Elion Energy	138	10.63	10.56	-0.7%	37.5%
600689-CN	Shanghai Sanmao Enterprise	174	11.09	12.73	14.8%	37.2%
600886-CN	SDIC Power Holdings	93	9.46	9.29	-1.8%	60.3%
30-HK	ABC Communications	55	0.14	0.14	4.8%	18.1%
900940-CN	GreatTown Holdings	41	6.45	6.45	0.0%	11.1%
600217-CN	Shaanxi Qinling Cement (Group)	65	10.19	11.34	11.3%	50.7%
002727-CN	Yunnan Hongxiang Yixintang	129	55.00	64.02	16.4%	42.3%
2222-HK	NVC Lighting Holding	441	1.15	1.13	-2.0%	53.9%
				Portfolio Impact	+3.5%	+36.1%

*Trading date determined on first day of significant volume

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