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Product & Solution Department

Demonstrating Resilience: The TIP Taiwan Pristine Stock Index Opens Up New Perspectives on Investing in Small and Mid-Cap Stocks

Focusing on High-Quality Under-the-Radar Stocks：A New Diversified Index Investment Option

The Taiwan Stock Exchange (TWSE) announced that, in order to provide the market with more diversified index investment tools, Taiwan Index Plus has launched the “TIP Taiwan Pristine Stock Index”.

The Index focuses on a portfolio of high-quality, under-the-radar stocks, comprising 302 constituents across 31 industries. Its selection criteria incorporate earnings per share (EPS) and dividend distribution, ensuring the profitability quality of included companies. In addition, trading indicators such as market liquidity and turnover are used to identify stocks with potential value.

By selecting a basket of quality companies akin to “Pristine”, the Index highlights a key investment proposition: “being less liquidity does not mean lacking value.”

Completing Product Lineup and Expanding Mid- and Small-Cap Index Development

In Taiwan’s ETF market, capital is largely concentrated in large- and mid-cap stocks. As of the end of February this year, among the top 30 Taiwan equity ETFs by AUM, only one ETF focuses on mid- and small-cap stocks.

The U.S. market has 14 mid- and small-cap ETFs with AUM exceeding USD 10 billion, covering a wide range of strategies including market capitalization and factor-based themes. This indicates that Taiwan still has significant room for development in both the number and diversity of mid- and small-cap ETFs.

Looking at the US market trends, mid- and small-cap ETFs are not only widely favored by investors but have also demonstrated strong performance. Indices such as the Russell 2000 have shown potential to outperform large-cap indices in recent years.

The TIP Taiwan Pristine Stock Index, which primarily consists of companies with market capitalizations below NTD 100 billion, helps fill the product lineup in Taiwan and represents a promising area for future market expansion.

Demonstrating Resilience and Downtrend Protection Amid Market Volatility

The Index's show its resilience during the current fluctuation. From February 26 to March 13, the Mid- and Small-Cap 300 Index recorded a return of -4.8%, reflecting a smaller decline compared to -5.7% drop in the TAIEX. During the same period, the TIP Taiwan Pristine Stock Index posted a return of -3.1%, demonstrating even stronger downtrend resilience than the Mid- and Small-Cap 300 Index.

This suggests that the TIP Taiwan Pristine Stock Index exhibits solid defensive characteristics and resilience during periods of market correction.

The TWSE further noted that the Index covers a wide range of industries, including household, manufacturing, biotechnology and healthcare, construction, and financial services.

This diversified composition closely reflects the real economy, while its balanced weighting helps reduce the impact of volatility from any single industry or stock. As such, the Index is a well-suited reference for medium- to long-term asset allocation.

Looking ahead, the TWSE will continue to promote investor education and utilize multiple communication channels to enhance market awareness of the Index. It will also encourage asset managers to develop related ETF products, thereby strengthening investment momentum in mid- and small-cap companies.