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MARKET STRUCTURE GUIDE / TJ-EDU-003

KSE-100 is not an average of 100 stocks

The benchmark is free-float weighted, built for sector representation and published in two versions. That changes how an index move should be read.

PUBLISHED	DATA THROUGH
5 August 2026	1 April 2026 composition
SCOPE	READ TIME
Market structure education	8 min read

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01 / THE ANSWER FIRST

Executive Summary

01 The KSE-100 contains 100 companies, but each company does not get an equal vote. Weight follows free-float market capitalization.

02 PSX first selects the largest free-float company from each eligible sector. It fills the remaining places with the largest eligible companies by free-float market capitalization.

03 The KSE-100 is a total-return index, so cash dividends and other corporate actions are adjusted. KSE-100PR tracks price return and does not include gross cash dividends.

04 PSX recomposes the index twice a year. The latest notice reviewed September 2025 to February 2026 data and took effect on 1 April 2026.

CONSTITUENTS **100** Sector leaders plus largest free-float names	MARKET COVERAGE **~70%-80%** Of PSX free-float market cap in the methodology brochure
REGULAR RECOMPOSITION **Twice yearly** April and October implementation	PUBLISHED VARIANTS **2** Total return and price return

02 / READ THIS FIRST

The basis of comparison

Free float	Shares readily available for normal trading. Sponsor, government and other locked-in holdings are generally excluded.
Free-float market cap	Share price multiplied by the shares treated as free float, not every share the company has issued.
Index divisor	A calculation tool that keeps the index comparable when constituents or corporate actions change.

03 / FINDING

Selection happens in two passes

Sector representation comes first. Size fills the remaining seats.

Under the June 2025 methodology, PSX selects the largest free-float company from each of 36 eligible sectors. Open-end mutual funds and exchange-traded funds are excluded from that sector step.

The remaining companies are selected in descending order of free-float market capitalization until the index reaches 100 constituents. A company can therefore be in the benchmark because it leads its sector or because it is among the largest remaining free-float names.

KSE-100 selection sequence

Simplified from the official PSX methodology.

Pass	Rule	Purpose
1	Largest free-float company in each eligible sector	Sector representation
2	Largest remaining companies by free-float market cap	Fill the index to 100
Eligibility	Minimum free float, trading and other rule checks	Keep constituents investable and representative

Source: Pakistan Stock Exchange (Updated June 2025)

04 / FINDING

One large free-float company can outweigh several smaller names

The index level is driven by weights, not by counting how many stocks rose or fell.

A company with more free-float market value has a larger effect on the index. A day when many small constituents rise can still produce a falling index if a few heavily weighted companies fall enough.

This is why an index headline and the broader market can feel different. To read the session properly, check the index move, the number of advancing and declining stocks, sector moves and trading value separately.

Source: Pakistan Stock Exchange (Updated June 2025)

05 / FINDING

KSE-100 and KSE-100PR answer different questions

The familiar KSE-100 includes the effect of cash dividends. KSE-100PR is the price-only version.

Both variants adjust for bonus and right issues. The difference is cash dividends: KSE-100 adjusts for them, while KSE-100PR does not.

When comparing performance with another index, fund or stock, first check whether each series is total return or price return. A mixed comparison can make one side look better simply because dividends are counted on only one side.

The two KSE-100 variants

Corporate-action treatment in the official methodology.

Feature	KSE-100	KSE-100PR
Cash dividends	Included through adjustment	Not included
Bonus adjustment	Yes	Yes
Right adjustment	Yes	Yes
Best used for	Total-return comparison	Price-movement comparison

Source: Pakistan Stock Exchange (Updated June 2025)

06 / FINDING

The April 2026 recomposition changed four names

Arif Habib Corporation and Power Cement entered. Unity Foods and Pakgen Power left under the market-capitalization rule.

PSX based that review on data from September 2025 through February 2026 and implemented the change on 1 April 2026.

The regular schedule uses the last working day of February for an April implementation and the last working day of August for an October implementation. PSX can also make a special recomposition after events such as a merger or voluntary delisting.

Recomposition effective 1 April 2026

Both changes were attributed to the market-capitalization rule.

Incoming	Outgoing	Reason
Arif Habib Corporation Limited	Unity Foods Limited	Market-capitalization rule
Power Cement Limited	Pakgen Power Limited	Market-capitalization rule

Source: Pakistan Stock Exchange (13 March 2026; effective 1 April 2026)

07 / NEXT CHECKS

Questions the next source should answer

01 Which index variant does the chart or headline use: total return or price return?

02 Is the move concentrated in a few large weights or spread across the market?

03 Is the constituent list current for the period being studied?

04 Are dividends included on both sides of a performance comparison?

08 / LIMITS

Caveats and assumptions

- This guide explains the official methodology. It does not provide a live index level, live weights or a trading signal.
- The methodology brochure was updated in June 2025. The constituent example uses the PSX notice effective 1 April 2026.
- PSX can change rules or make a special recomposition. Use the latest official notice for a current constituent list.
- The stated 70% to 80% coverage is the approximate range published by PSX, not a Tijarat calculation.

09 / OFFICIAL RECORD

Sources

01 Pakistan Stock Exchange
KSE-100 and KSE-100PR index brochure covering index methodology
Updated June 2025. Primary methodology for objective, selection, free float, recomposition and corporate actions.

02 Pakistan Stock Exchange
Re-composition of KSE-100 and KSE-100PR index
13 March 2026; effective 1 April 2026. Official incoming and outgoing constituents for the April 2026 implementation.