

## Frequently Asked Questions

### The S&P/ASX 200 Dividend Points Indices

- 1. What are “dividend points”?** Index points refer to the level of an index. For example, if the [S&P/ASX 200](#) is trading at 6,000, it is said to have a level of 6,000 points. Dividend points specifically refer to the level of index points that are directly attributable to the dividends of index constituents.
- 2. What’s the difference between dividend points indices and other types of indices, like price return and total return indices?** Price return indices represent changes in the market capitalization of index constituents. They do not account for dividends. Total return indices reinvest dividends back into the index on the ex-date of each dividend paying constituent. Total return indices therefore represent changes in market capitalization plus reinvested dividends. Finally, dividend points indices track dividend payments in isolation, reflecting the periodic cumulative dividends of all index shares. They do not include any changes in market capitalization.

One can think of the different types of indices as representing different investment strategies. Some market participants elect to reinvest dividends in the stocks they hold, and this strategy could be benchmarked with the S&P/ASX 200 (TR). On the other hand, some market participants hold stocks but do not reinvest dividends—electing instead to take dividends in cash as a source of income. This strategy could be benchmarked with a combination of the S&P/ASX 200 Price Return and the S&P/ASX 200 Dividend Points Indices.

- 3. Why are there dividend points indices?** By offering an index that represents dividend payments of S&P/ASX 200 members, S&P Dow Jones Indices (S&P DJI) allows market participants to track an important component of equity returns—independently of equity price changes. The index can also be used as a basis for financial products.
- 4. Can I invest in dividend points?** No, not directly. Like other indices, it is not possible to invest directly in dividend points indices.
- 5. How many S&P/ASX 200 Dividend Points Indices are there?** There is one index that resets quarterly and one that resets annually. They are called the [S&P/ASX 200 Dividend Points Index \(Quarterly\)](#) and the [S&P/ASX 200 Dividend Points Index \(Annual\)](#).
- 6. Why do the indices periodically reset to zero?** The indices represent cumulative cash dividends paid over a defined period, either one quarter or one year. At the start of the next period, the indices are reset to zero so that they reflect dividends paid in discrete periods that coincide with the expiration of S&P/ASX 200 futures. Having the indices reset when futures expire is useful, because it enables the indices to potentially be used as the underlying benchmark for financial instruments that could be designed to hedge periodic dividend risk of index futures.

Resetting also allows for comparisons of dividend payouts and enables the measurement of changes in dividends from one period to another.

- 7. When do the indices reset to zero?** The S&P/ASX 200 Dividend Points Index (Quarterly) resets after the market close on the third Thursday of the last month of each calendar quarter. This coincides with the S&P/ASX 200 futures expiration. The S&P/ASX 200 Dividend Points Index (Annual) resets only on the third Thursday of December.
- 8. How have S&P/ASX 200 dividends grown over the years?** Measured year over year, the annualized growth rate of dividends was about 3.3% for the five-year period from March 2014 to March 2019.
- 9. How much of the total return of the S&P/ASX 200 has been due to dividends?** Over the same five-year period from March 2014 to March 2019, the S&P/ASX 200 (TR) grew about 7.4% per year. Approximately 63% of this growth came from the reinvestment of dividends.
- 10. What dividend payments are included in the S&P/ASX 200 Dividend Points Indices?** The indices represent regular cash dividends paid by S&P/ASX 200 constituents.
- 11. Are special dividends included in the indices?** No, only regular cash dividends are included.
- 12. Do dividends get counted on the ex-date or pay date?** Dividends are added on the ex-date. This is consistent with the S&P/ASX 200 (TR). Since stock prices are adjusted downward to account for dividends on the ex-date, this method is more straightforward than adding dividends on the pay date.
- 13. How are the indices calculated?** On each trading day, S&P DJI sums the dividends of all index shares going ex-date and divides that figure by the S&P/ASX 200 divisor, which transforms the AUD value into index points. Dividend payments in other currencies are translated into AUD at the same exchange rate used for the total return index. Except for the reset day, these index points are added to the cumulative total for the respective period to derive the value of the S&P/ASX 200 Dividend Points Indices for that day.

For more information on the S&P/ASX 200 Dividend Points Indices, please visit our website: [www.spdji.com](http://www.spdji.com).

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