

S&P Dow Jones Indices

A Division of **S&P Global**

S&P 500[®] Quality FCF R&D Leaders Index

Tracking R&D-Intensive Companies with Efficient Free Cash Flow (FCF) Generation

Index Overview

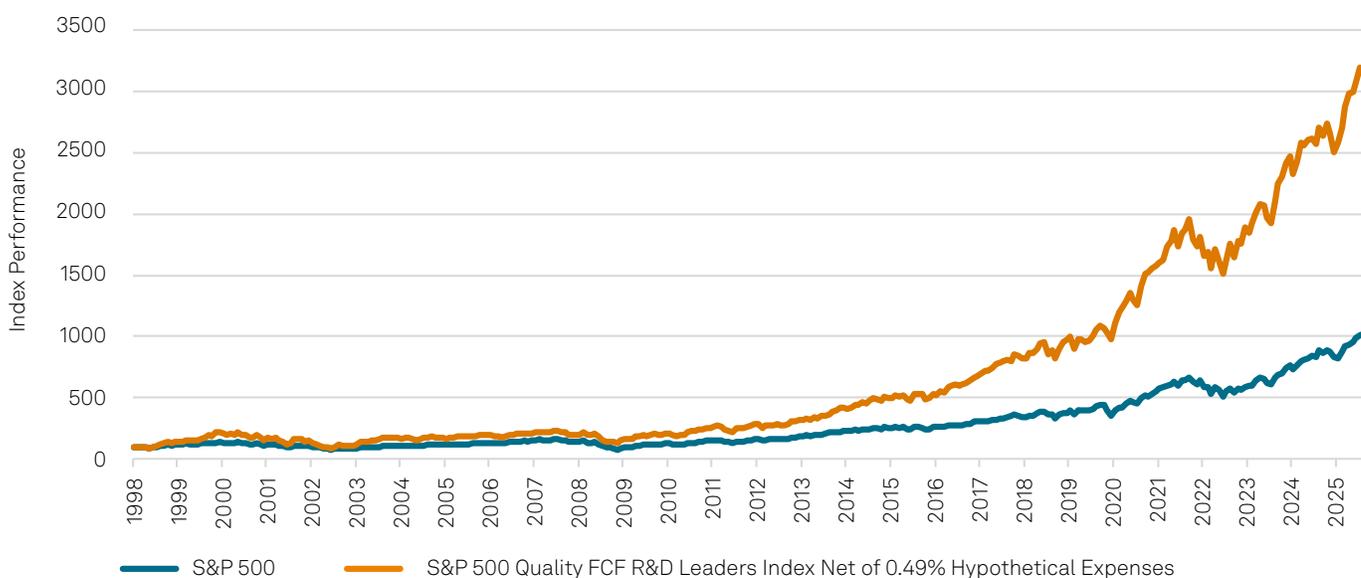
Launched in 2025, the S&P 500 Quality FCF R&D Leaders Index tracks 50 companies within the S&P 500 that exhibit high research and development (R&D) intensity while maintaining a higher-than-median FCF margin and FCF return on invested capital (ROIC).

Screening for efficient FCF generation contributes to overall quality of the index, as companies may be well positioned to pursue growth opportunities through sustained R&D investment.

Key Index Characteristics

- **Significant Long-Term Outperformance:** On a hypothetical back-tested basis, the index has outperformed the S&P 500 by over 4.5% annualized since 1998.
- **Strong Tilt toward Growth and Quality:** The combination of quality FCF and R&D intensity is complementary, and, based on hypothetical back-testing, has resulted in stronger growth and profitability metrics compared to the S&P 500.
- **R&D-Leading Companies:** R&D investment may serve as a key indicator of innovation, competitiveness and a forward-looking mindset, potentially driving future revenue growth and market leadership.

Back-Tested Performance versus the S&P 500



Source: S&P Dow Jones Indices LLC Data from April 30, 1998, to Dec. 31, 2025. The S&P 500 Quality FCF R&D Leaders Index was launched Nov. 3, 2025. Performance is calculated net of fees based on monthly total return in USD. The fee applied to the S&P 500 Quality FCF R&D Leaders Index is 0.49%. All data prior to such date is back-tested hypothetical data. 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.

S&P Quality FCF R&D Leaders Index Methodology Snapshot

Metric	Details
Universe	S&P 500 ¹
Stock Selection	Step One: Top 50% of companies with highest FCF Score are eligible Step Two: From eligible companies, select 50 with highest R&D intensity score
FCF Score	Based on the average of: 1. Five-year average of FCF margin 2. Five-year average of FCF ROIC
R&D Intensity Score	R&D Expenditure/Revenue (5-Year Weighted Average)
Weighting	R&D Intensity-Score-Weighted
Rebalancing	Semiannually in April and October

Source: S&P Dow Jones Indices LLC. Data as of January 2026. For the full methodology rules, please refer to the [S&P 500 Quality FCF R&D Leaders Index Methodology](#). Table is provided for illustrative purposes.

Back-Tested Risk/Performance Statistics

Across the full back-tested period, the S&P 500 Quality FCF R&D Leaders Index has outperformed in absolute terms in every period shown. The index has also demonstrated higher risk-adjusted performance with high capture ratios.

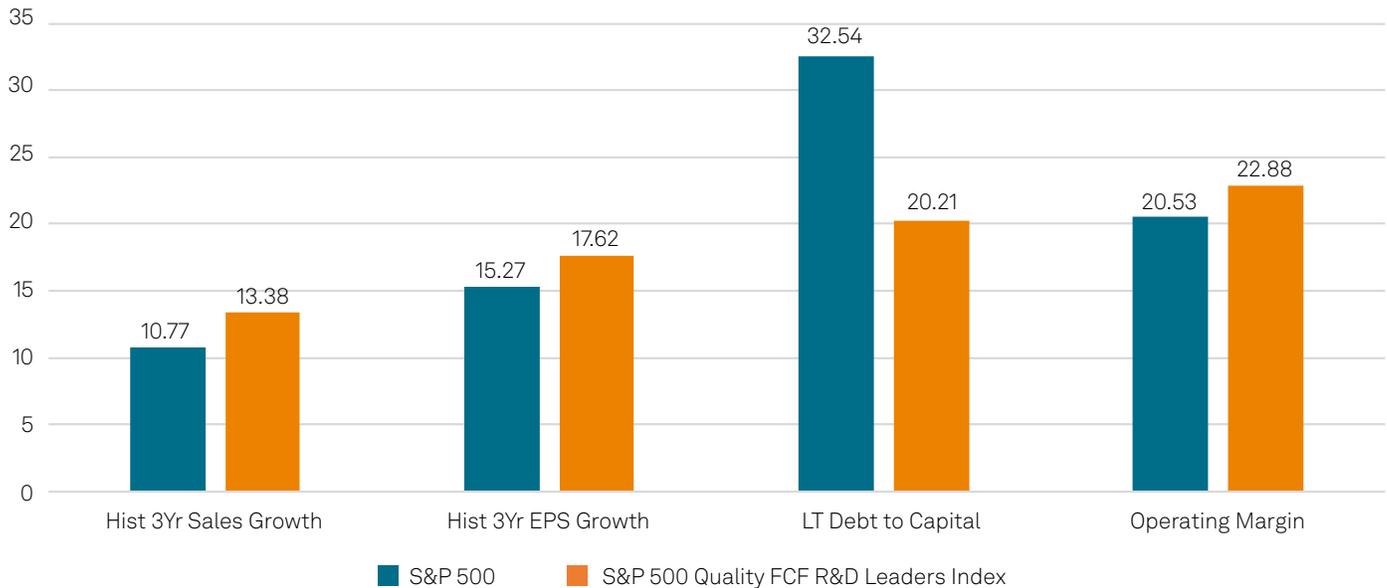
Period	S&P 500	S&P 500 Quality FCF R&D Leaders Index Net of 0.49% Hypothetical Expenses
Annualized Performance (%)		
Full Period	8.75	13.29
1-Year	17.88	19.45
3-Year	23.01	24.25
5-Year	14.42	15.87
10-Year	14.82	19.45
15-Year	14.06	18.82
20-Year	11.00	15.09
Annualized Volatility (%)		
Full Period	15.37	21.10
Risk-Adjusted Performance		
Full Period	0.57	0.63
Drawdowns (%)		
Full Period	-50.95	-63.20
Capture Ratios (%)		
Upside	-	130.63
Downside	-	113.59

Source: S&P Dow Jones Indices LLC, Data from April 30, 1998, to Dec. 31, 2025. The S&P 500 Quality FCF R&D Leaders Index was launched Nov. 3, 2025. Performance is calculated net of fees based on monthly total return in USD. The fee applied to the S&P 500 Quality FCF R&D Leaders Index is 0.49%. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Table 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.

¹The Real Estate sector and certain industries within the Financials sector are excluded. The excluded industries include Banks, Insurance, Mortgage REITS, Specialized Finance, Asset Management & Custody Banks, Investment Banks & Brokerage.

Enhanced Growth and Quality Profile

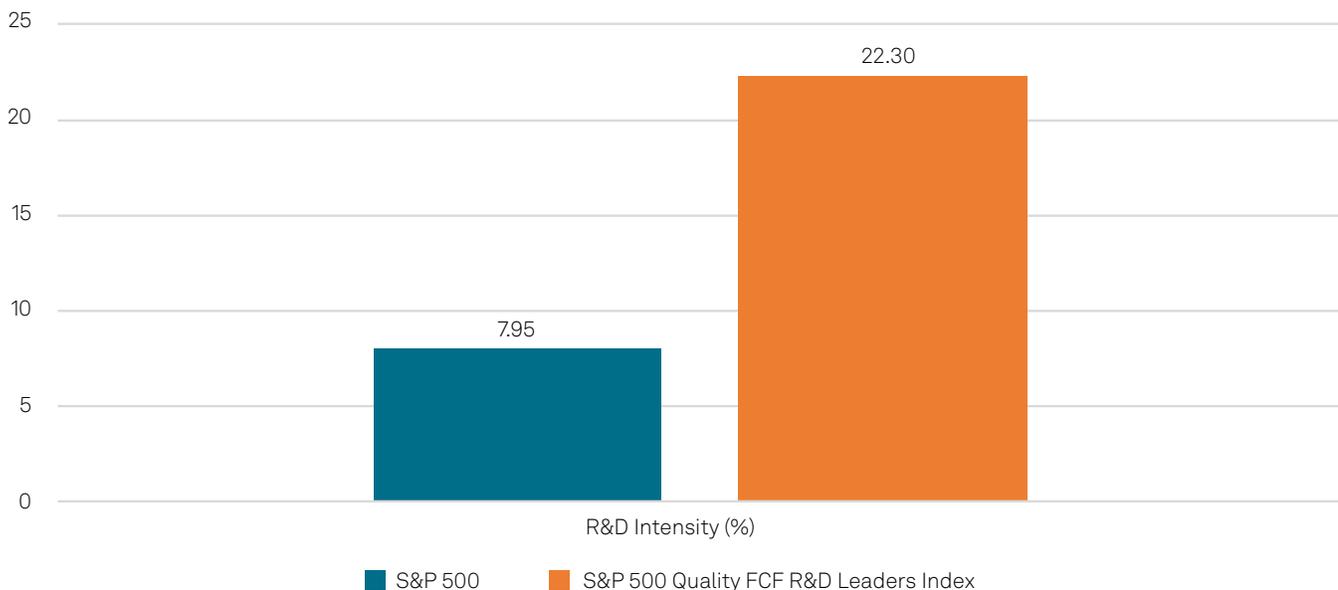
Back-tested fundamental analysis of the S&P 500 Quality FCF R&D Leaders Index constituents reveals enhanced growth and quality characteristics compared to the S&P 500.



Source: S&P Dow Jones Indices LLC, FactSet. Data from April 30, 1998, to Dec. 31, 2025. The S&P 500 Quality FCF R&D Leaders Index was launched Nov. 3, 2025. All data prior to such date is back-tested hypothetical data. 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.

High R&D Intensity

Constituents of the S&P 500 Quality FCF R&D Leaders Index demonstrate significantly higher R&D intensity (measured as R&D expenditure relative to revenue) compared to those in the S&P 500.



Source: S&P Dow Jones Indices LLC, FactSet. Data as of Dec. 31, 2025. The S&P 500 Quality FCF R&D Leaders Index was launched Nov. 3, 2025. All data prior to such date is back-tested hypothetical data. 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.

Back-Tested Sector and Constituent-Level Diversification

Given the strong focus on R&D spending within the Information Technology and Health Care sectors, the S&P 500 Quality FCF R&D Leaders Index has historically been overweight in these sectors, both in absolute terms and relative to the S&P 500.

Sector	S&P 500 Quality FCF R&D Leaders Index Current Sector Weight (%)	S&P 500 Quality FCF R&D Leaders Index Long-Term Average Active Sector Weight (%)	Current Active Weight (%)
Communication Services	8.3	-3.0	-2.3
Consumer Discretionary	5.3	-9.5	-5.1
Consumer Staples	0.0	-8.9	-4.7
Energy	0.0	-7.4	-2.8
Financials	2.0	-15.5	-11.4
Health Care	30.5	17.9	20.9
Industrials	0.0	-8.9	-8.2
Information Technology	54.0	41.8	19.6
Materials	0.0	-2.4	-1.8
Real Estate	0.0	-0.9	-1.8
Utilities	0.0	-3.1	-2.2

Source: S&P Dow Jones Indices LLC Data from April 30, 1998, to Dec. 31, 2025. Current active sector weights as of Dec. 31, 2025. The S&P 500 Quality FCF R&D Leaders Index was launched Nov. 3, 2025. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. In 2018, the Telecommunication Services sector was expanded and renamed Communication Services. Table 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.

As of Dec. 31, 2025, the S&P 500 Quality FCF R&D Leaders Index holds significant overweights to the Health Care and Information Technology sectors relative to the S&P 500.

Performance Disclosure/Back-tested Data

The S&P 500 Quality FCF R&D Leaders Index was launched November 3, 2025. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance, and is based on the index methodology 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. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. Complete index methodology details are available at www.spglobal.com/spdji. 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.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate S&P DJI's ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using "Backward Data Assumption" (or pulling back) of ESG data for the calculation of back-tested historical performance. "Backward Data Assumption" is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as "product involvement") were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on "Backward Data Assumption" please refer to the FAQ. The methodology and factsheets of any index that employs backward assumption in the back-tested history will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used.

Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices maintains the index and calculates the index levels and performance shown or discussed but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).

About S&P Dow Jones Indices

At S&P Dow Jones Indices, we provide iconic and innovative index solutions backed by unparalleled expertise across the asset-class spectrum. By bringing transparency to the global capital markets, we empower investors everywhere to make decisions with conviction. We're the largest global resource for index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500® and the Dow Jones Industrial Average®. More assets are invested in products based upon our indices than any other index provider in the world. Our solutions are widely considered essential in tracking market performance, evaluating portfolios and developing investment strategies.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI). S&P Global is the world's foremost provider of credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help many of the world's leading organizations navigate the economic landscape so they can plan for tomorrow, today. For more information, visit www.spglobal.com/spdji.

CONTACT US

U.S. +1-877-325-5415	Japan +81-3-4520-2860
EMEA +44-20-7176-8888	Australia +61 2-9255-9802
UAE +971(0)4-371-7131	Latin America +52 55-1037-5290
China +86-10-5713-2550	South Africa +27-11214-1994
India +91-22-2272-5312	

2026 S&P Dow Jones Indices. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. S&P, S&P 500, SPX, SPY, The 500, US 500, US 30, S&P 100, S&P COMPOSITE 1500, S&P 400, S&P MIDCAP 400, S&P 600, S&P SMALLCAP 600, S&P GIVI, GLOBAL TITANS, DIVIDEND ARISTOCRATS, DIVIDEND MONARCHS, BUYBACK ARISTOCRATS, SELECT SECTOR, S&P MAESTRO, S&P PRISM, GICS, SPIVA, SPDR, INDEXOLOGY, iTraxx, iBoxx, ABX, ADBI, CDX, CMBX, MBX, MCDX, PRIMEX, HHPI and SOVX are trademarks of S&P Global, Inc. ("S&P Global") or its affiliates. DOW JONES, DJIA, THE DOW and DOW JONES INDUSTRIAL AVERAGE are trademarks of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by S&P Dow Jones Indices LLC (or S&P DJI). S&P Dow Jones Indices LLC, Dow Jones, S&P Global and their respective affiliates (collectively, "S&P Dow Jones Indices") makes no representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and S&P Dow Jones Indices and its third party licensors shall have no liability for any errors, omissions, or interruptions of any index or the data included therein. All data and information is provided by S&P DJI "as is". Past performance is not an indication or guarantee of future results. Please see the Performance Disclosure at <https://www.spglobal.com/spdji/en/disclaimers/#performance-disclosure> for more information regarding the inherent limitations associated with back-tested and/or hypothetical performance. This document does not constitute an offer of any services. Except for certain custom index calculation services, all information provided by S&P Dow Jones Indices is general in nature and not tailored to the needs of any person, entity or group of persons. S&P Dow Jones Indices receives compensation in connection with licensing its indices to third parties and providing custom calculation services. It is not possible to invest directly in an index. Exposure to an asset class represented by an index may be available through investable instruments offered by third parties that are based on that index. S&P Dow Jones Indices does not sponsor, endorse, sell, promote or manage any investment fund or other investment product or vehicle that seeks to provide an investment return based on the performance of any Index. S&P Dow Jones Indices LLC is not an investment adviser, commodity trading advisor or tax advisor. S&P Dow Jones Indices makes no representation regarding the advisability of investing in any such investment fund or other investment product or vehicle. S&P Dow Jones Indices keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain functions of S&P Dow Jones Indices may have information that is not available to other business units. For more information on any of our indices please visit www.spglobal.com/spdji.