

## Sector Primer Series: Utilities

### Contributors

#### Sherifa Issifu

Analyst  
Index Investment Strategy  
[sherifa.issifu@spglobal.com](mailto:sherifa.issifu@spglobal.com)

#### Hamish Preston

Associate Director  
Product Management  
U.S. Equities  
[hamish.preston@spglobal.com](mailto:hamish.preston@spglobal.com)

### INTRODUCTION

The Global Industry Classification Standard<sup>®</sup> (GICS<sup>®</sup>) assigns a company to a single business classification according to its principal business activity. This assignment uses quantitative and qualitative factors, including revenues, earnings, and market perception. The sector is the first level of the four-tiered, hierarchical industry classification system that includes 11 sectors, 24 industry groups, 69 industries, and 158 sub-industries.

Within the GICS framework, as outlined in Exhibit 1, Utilities companies include those that are primarily engaged in:

- Supplying electric, gas, and water utilities;
- Operating as Independent Power Producers, Gas & Power Marketing & Trading Specialists, or Integrated Energy Merchants energy traders; and
- Generating and distributing electricity using renewable sources.

Exhibit 1: GICS of the Utilities Sector

SECTOR	INDUSTRY GROUP	INDUSTRY	SUB-INDUSTRY
Utilities (55)	Utilities (5510)	Electric Utilities (551010)	Electric Utilities (55101010)
		Gas Utilities (551020)	Gas Utilities (55102010)
		Multi-Utilities (551030)	Multi-Utilities (55103010)
		Water Utilities (551040)	Water Utilities (55104010)
		Independent Power and Renewable Electricity Producers (551050)	Independent Power Producers & Energy Traders (55105010) Renewable Electricity (55105020)

Source: S&P Dow Jones Indices LLC, MSCI. Data as of June 30, 2020. Table is provided for illustrative purposes.

## COMPOSITION

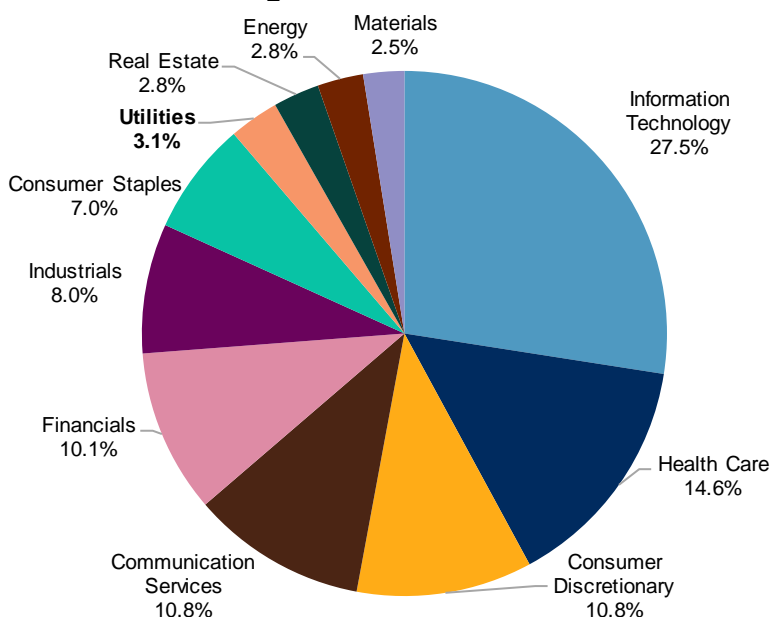
*Utilities is the fourth smallest sector in the S&P 500...*

The [S&P 500® Utilities](#) comprises all companies in the [S&P 500](#) that are assigned to the Utilities sector by GICS. Created in 1957, the S&P 500 was the first broad U.S. market-cap-weighted stock market index. Today, it is the basis of many listed and over-the-counter investment instruments.

The Utilities sector is the fourth smallest by capitalization of the 11 sectors in the S&P 500, representing 3.07% of the index as of June 30, 2020 (see Exhibit 2). This compares to 4.17% and 2.23% for the [S&P MidCap 400®](#) and [S&P SmallCap 600®](#), respectively. Overall, the Utilities sector accounts for 2.95% of (and 71 securities within) the [S&P Total Market Index](#); only the Energy and Materials sectors (2.63% and 2.69%, respectively) account for less, by index weight.

*...representing 3.1% of the index at June 2020.*

**Exhibit 2: S&P 500 Sector Weights**



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2020. Chart is provided for illustrative purposes.

*The two largest companies in the Utilities sector were NextEra Energy Inc and Dominion Energy Inc.*

With a total float-adjusted market capitalization of USD 786.16 billion, the S&P 500 Utilities sector comprised 28 companies as of June 30, 2020. The two largest companies in the sector were NextEra Energy Inc (NEE) and Dominion Energy Inc (D), with float-adjusted market caps of USD 117.55 billion and USD 68.13 billion, respectively. There were no Utilities companies in the top 10 of the S&P 500—NextEra Energy Inc ranked as the 46<sup>th</sup> largest stock, representing 0.46% of the index. The mean market cap of S&P 500 Utilities stocks was USD 28.08 billion, the median market cap was USD 20.86 billion, and the lowest market cap was USD 7.95 billion.

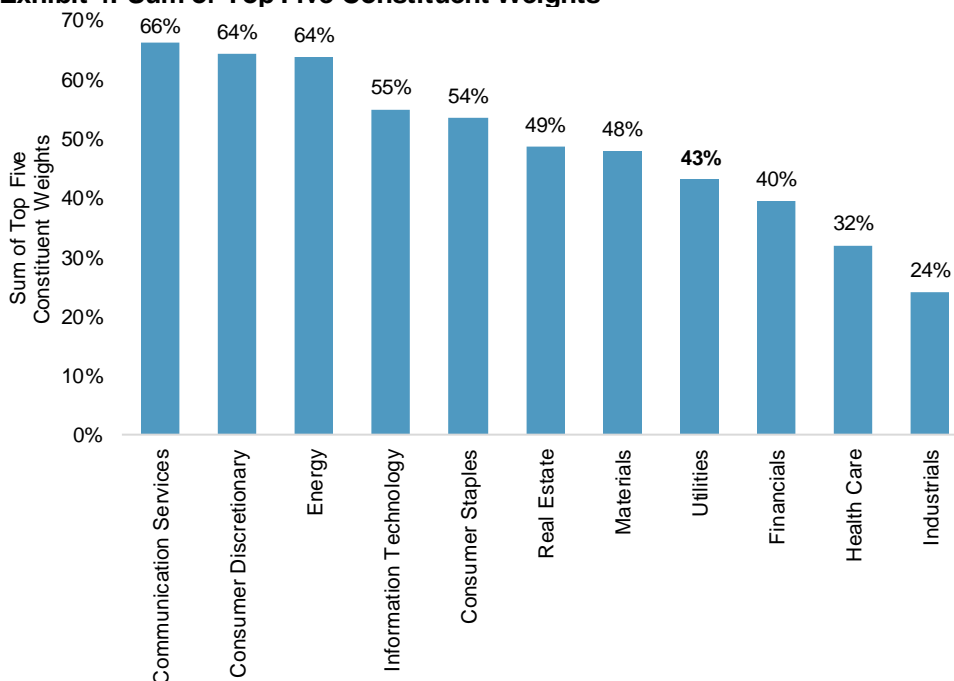
**Exhibit 3: Snapshot of the Top 10 Holdings in the S&P 500 Utilities**

CONSTITUENT NAME	TICKER	S&P 500 WEIGHT (%)	S&P 500 UTILITIES WEIGHT (%)
NextEra Energy Inc	NEE	0.46	14.95
Dominion Energy Inc	D	0.27	8.67
Duke Energy Corp	DUK	0.23	7.47
Southern Co	SO	0.21	6.96
American Electric Power	AEP	0.15	5.02
Exelon Corp	EXC	0.14	4.50
Sempra Energy	SRE	0.13	4.36
Xcel Energy Inc	XEL	0.13	4.17
Eversource Energy	ES	0.11	3.56
WEC Energy Group Inc	WEC	0.11	3.52
<b>Total</b>		<b>1.94</b>	<b>63.19</b>

*The largest five constituents accounted for 43.07% of the weight of the Utilities sector.*

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2020. Table is provided for illustrative purposes.

The largest five constituents accounted for 43.07% of the weight of the Utilities sector, placing it eighth in the S&P 500 in terms of concentration.

**Exhibit 4: Sum of Top Five Constituent Weights**

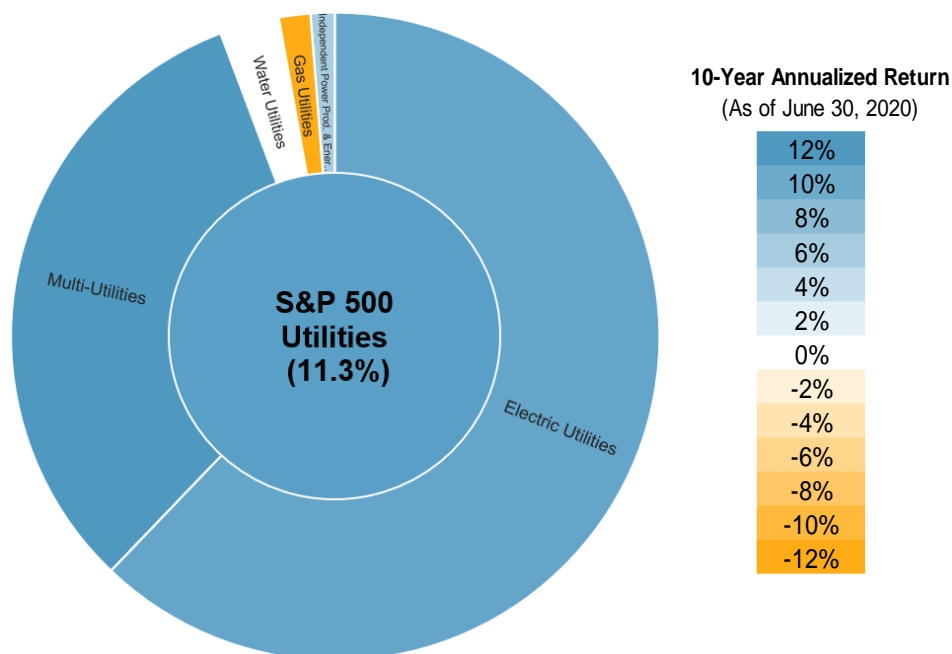
*Electric Utilities was by far the heaviest of the industries.*

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2020. Chart is provided for illustrative purposes. Please see the [Equal Weight Sector Dashboard](#) for the most recent monthly update to these figures.

Within the S&P 500 Utilities, Electric Utilities was by far the largest industry, accounting for 62.13% of the sector as of June 30, 2020. The remaining sector weight was distributed across the Multi-Utilities (32.14%), Water Utilities (2.96%), Gas Utilities (1.55%) and Independent Power and Renewable Electricity Producers (1.23%) industries.

**Exhibit 5: Industry Group and Industry Weights in the S&P 500 Utilities**

The main change to the structure of the Utilities sector is the appearance of Water Utilities.

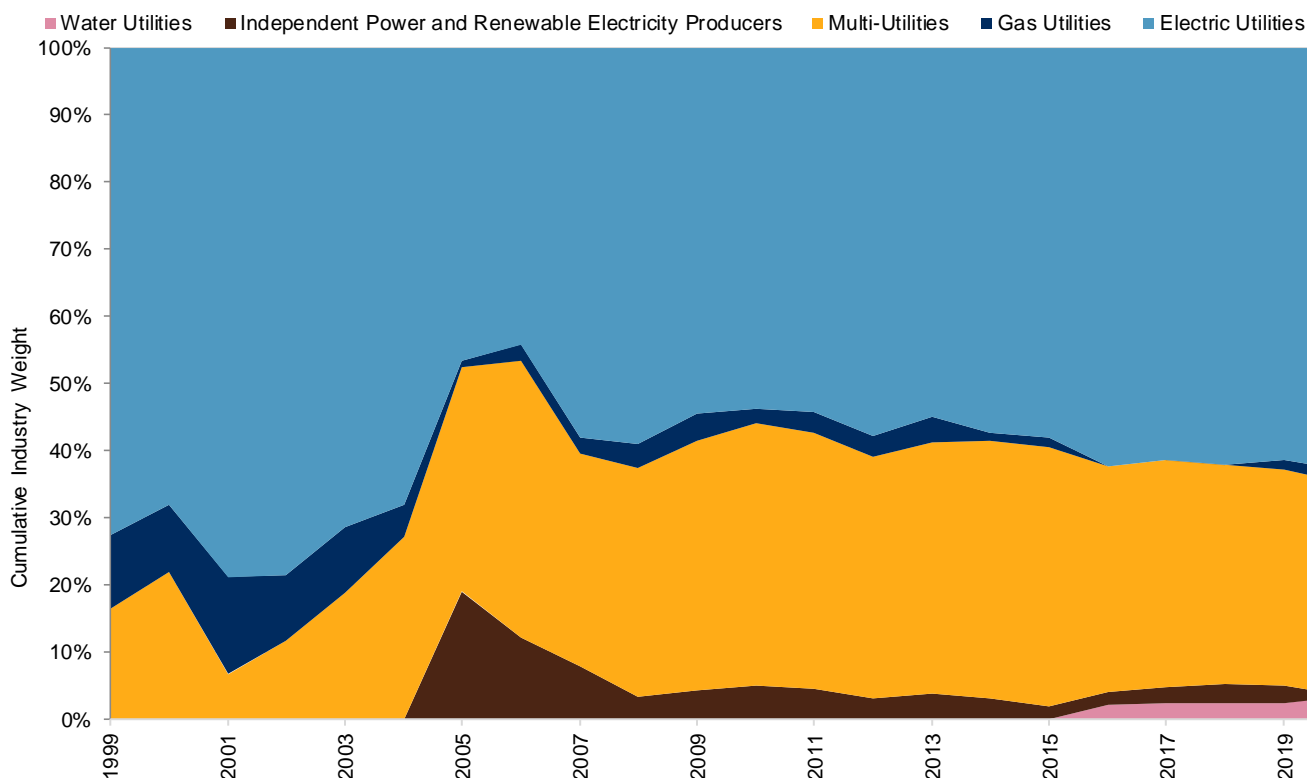


Water Utilities went from 0%, as recently as 2015 to 3% of the Utilities sector at the end of June.

GICS CODE	NAME	INDEX WEIGHT (%)	10-YEAR ANNUALIZED RETURN (%)	MARKET CAP (USD BILLIONS)
<b>5510</b>	<b>S&amp;P 500 Utilities</b>	<b>100.00</b>	<b>11.31</b>	<b>786.16</b>
551010	Electric Utilities	62.13	10.63	488.42
551020	Gas Utilities	1.55	-11.99	12.18
551030	Multi-Utilities	32.14	12.17	252.63
551040	Water Utilities	2.96	N/A	23.29
551050	Independent Power and Renewable Electricity Producers	1.23	5.95	9.63

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2020. Chart and table are provided for illustrative purposes.

A key feature of GICS is that it can evolve: its structure is intended to reflect the current state of the equity investment universe. S&P Dow Jones Indices and MSCI conduct annual reviews to ensure that the structure remains fully representative of the current global market. There have been few significant changes to the Utilities sector—Electric Utilities has always been the largest industry, for example.

**Exhibit 6: Industry Weights of the S&P 500 Utilities**

Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1999, through June 30, 2020. Chart is provided for illustrative purposes.

**FUNDAMENTALS**

The Utilities sector had a lower price-to-book-value ratio (P/BV) than the overall S&P 500 and S&P MidCap 400 and a lower 12-month trailing price-to-earnings (P/E) ratio than the benchmark across all capitalization segments. Utilities had higher price-to-sales ratios and indicated dividend yield than the broader market across all three size segments.

**Exhibit 7: Fundamental Data Comparison**

INDEX	12-MONTH TRAILING P/E	ONE-YEAR FORWARD P/E	P/BV	PRICE-TO-SALES	INDICATED DIVIDEND YIELD (%)
S&P 500	23.17	19.94	3.60	2.28	1.86
S&P 500 Utilities	20.78	20.64	2.26	2.78	3.09
S&P MidCap 400	28.54	19.99	2.28	1.31	1.69
S&P MidCap 400 Utilities	23.18	21.60	2.09	2.25	2.78
S&P SmallCap 600	129.96	21.43	1.86	0.95	1.58
S&P SmallCap 600 Utilities	27.61	32.94	2.48	2.92	2.44

Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2019. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

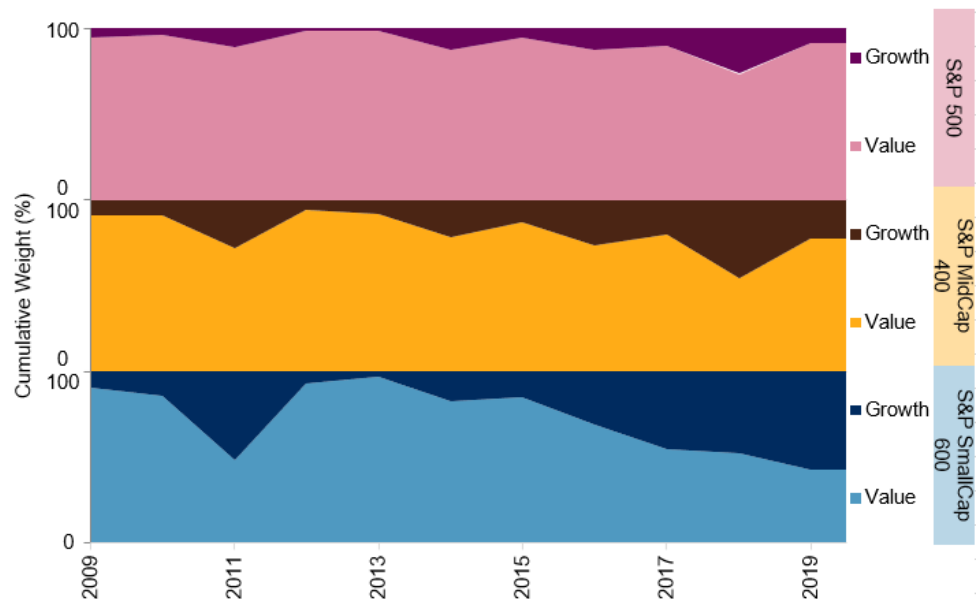
Companies from the Utilities sector have typically had a value tilt, especially in large caps. For example, Exhibit 8 shows the growth and value tilts of the Utilities sector across large, mid, and small caps, based on year-end data between 2009 and 2019, as well as the YTD figure as of June 30, 2020.

*Electric Utilities has always been the largest industry.*

On average, 91% of the total market capitalization of S&P 500 Utilities companies was found in the [S&P 500 Value](#), versus the 9% allocated to the [S&P 500 Growth](#). This value tilt decreased in mid and small caps, where 78% and 43% of Utilities companies' market capitalization was typically allocated to the corresponding value index, respectively.

**Exhibit 8: Growth and Value Factor Tilts of the Large-, Mid-, and Small-Cap Utilities Indices**

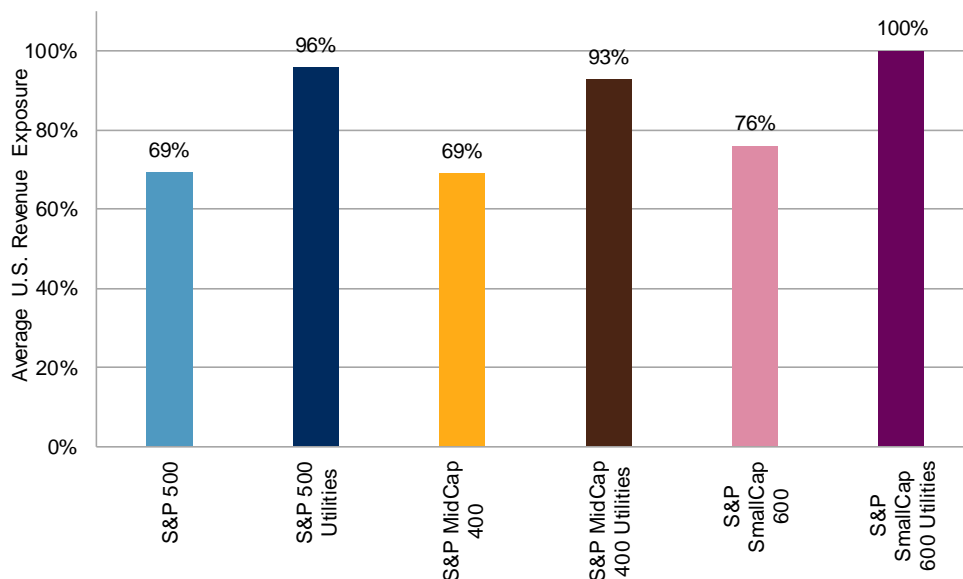
*Utilities sector companies tend to be tilted toward value, especially in large- and mid-caps.*



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2009, through June 30, 2020. Chart is provided for illustrative purposes.

*S&P 500 Utilities companies averaged about 91% value and 9% growth over the last 10 years.*

In terms of revenue exposure, Utilities companies typically source a relatively high proportion of their revenues domestically. Indeed, the sales-weighted average U.S. revenues for Utilities companies were higher than their respective underlying indices across the market capitalization spectrum (see Exhibit 9). Hence, Utilities companies are likely to be more sensitive to the health of the U.S. economy—and less impacted by foreign policy disputes—than other sectors.

**Exhibit 9: Average U.S. Revenue Exposure**

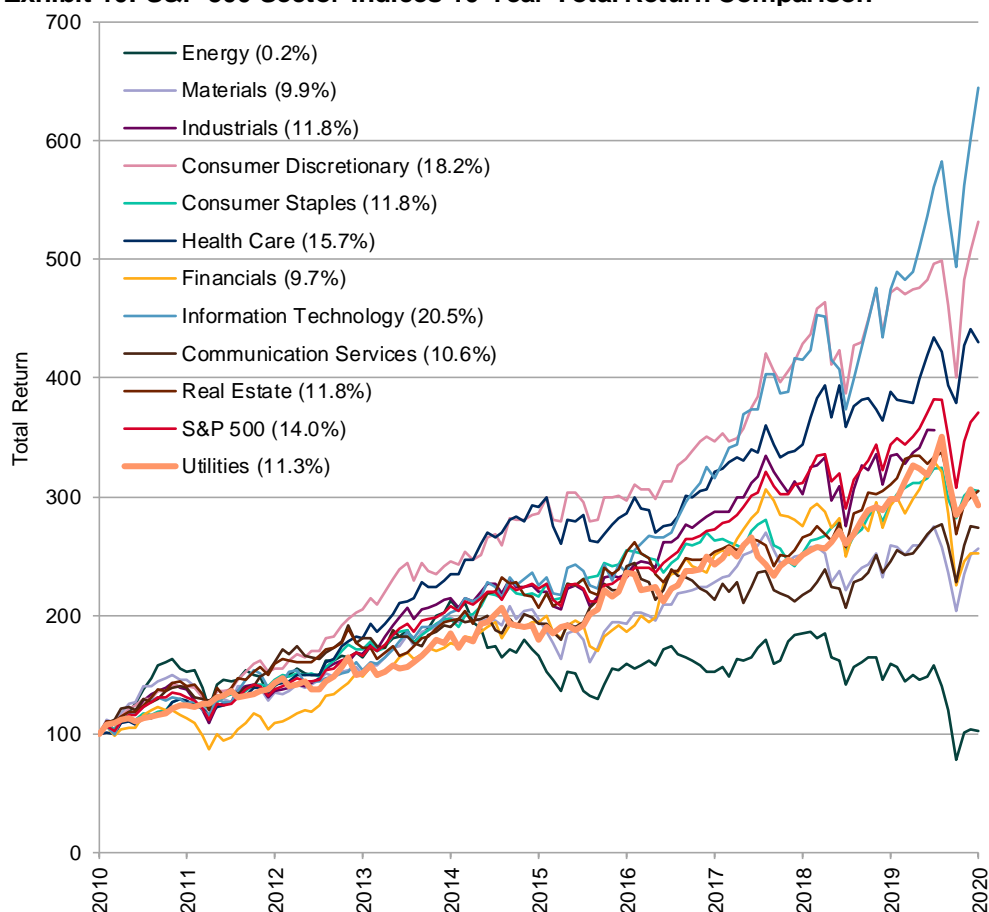
*In terms of revenue exposure, Utilities companies are more insulated from regions outside the U.S., but less insulated from domestic disruptions.*

Source: S&P Dow Jones Indices LLC, FactSet GeoRev database. Data as of Dec. 31, 2019. Chart is provided for illustrative purposes.

## PERFORMANCE

Exhibit 10 shows that the Utilities sector returns lagged the S&P 500 over multiple horizons. For example, the sector's annualized total returns were lower than the S&P 500 over the 1-,3-,5-, and 10-year periods ending June 30, 2020.

However, the Utilities sector was typically less volatile than the broader market; the sector's annualized standard deviation of total returns was lower than the S&P 500, and ranked second or third lowest across all S&P 500 sectors over the various horizons. This helped to improve the sector's risk-adjusted returns: the 10-year risk-adjusted return of 0.89 was the fifth largest among the sectors (see Exhibit 11).

**Exhibit 10: S&P 500 Sector Indices 10-Year Total Return Comparison**

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2020. Indices rebased to 100 on June 30, 2010. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

In terms of risk, Utilities was the second or third lowest sector across all horizons.

**Exhibit 11: Annualized Returns of S&P 500 Sector Indices**

INDEX NAME	1-YEAR	3-YEAR	5-YEAR	10-YEAR
<b>ANNUALIZED RETURN (%)</b>				
S&P 500	7.51	10.73	10.73	13.99
<b>S&amp;P 500 Utilities</b>	<b>-2.11</b>	<b>6.41</b>	<b>10.17</b>	<b>11.31</b>
S&P 500 Communication Services	11.08	8.58	7.18	10.58
S&P 500 Consumer Discretionary	12.59	15.29	13.21	18.19
S&P 500 Consumer Staples	3.62	5.03	7.22	11.79
S&P 500 Energy	-36.09	-12.46	-9.18	0.21
S&P 500 Financials	-13.92	0.11	5.41	9.68
S&P 500 Health Care	10.90	10.30	8.14	15.72
S&P 500 Industrials	-9.02	1.91	6.73	11.76
S&P 500 Information Technology	35.90	26.83	23.41	20.49
S&P 500 Materials	-1.11	3.90	5.44	9.85
S&P 500 Real Estate	-2.01	6.33	8.01	11.77

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2020. Risk is defined as standard deviation calculated based on total returns using monthly values. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.



**Exhibit 11: Annualized Returns of S&P 500 Sector Indices (cont.)**

INDEX NAME	1-YEAR	3-YEAR	5-YEAR	10-YEAR
<b>RISK</b>				
S&P 500	21.88	16.95	14.76	13.42
<b>S&amp;P 500 Utilities</b>	<b>19.66</b>	<b>13.92</b>	<b>13.55</b>	<b>12.74</b>
S&P 500 Communication Services	21.99	18.65	17.21	15.31
S&P 500 Consumer Discretionary	27.60	21.36	18.20	16.02
S&P 500 Consumer Staples	13.31	13.21	12.16	11.11
S&P 500 Energy	52.08	35.12	29.47	24.64
S&P 500 Financials	28.90	21.62	19.91	18.28
S&P 500 Health Care	18.04	15.42	14.89	12.98
S&P 500 Industrials	25.58	21.34	18.30	16.79
S&P 500 Information Technology	21.48	19.24	17.64	16.17
S&P 500 Materials	26.24	19.88	19.19	18.47
S&P 500 Real Estate	20.73	15.85	15.10	15.25
<b>ANNUALIZED RISK-ADJUSTED RETURNS</b>				
S&P 500	0.34	0.63	0.73	1.04
<b>S&amp;P 500 Utilities</b>	<b>-0.11</b>	<b>0.46</b>	<b>0.75</b>	<b>0.89</b>
S&P 500 Communication Services	0.50	0.46	0.42	0.69
S&P 500 Consumer Discretionary	0.46	0.72	0.73	1.14
S&P 500 Consumer Staples	0.27	0.38	0.59	1.06
S&P 500 Energy	-0.69	-0.35	-0.31	0.01
S&P 500 Financials	-0.48	0.01	0.27	0.53
S&P 500 Health Care	0.60	0.67	0.55	1.21
S&P 500 Industrials	-0.35	0.09	0.37	0.70
S&P 500 Information Technology	1.67	1.39	1.33	1.27
S&P 500 Materials	-0.04	0.20	0.28	0.53
S&P 500 Real Estate	-0.10	0.40	0.53	0.77

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2020. Risk is defined as standard deviation calculated based on total returns using monthly values. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

*The S&P 500 Utilities offered a 10-year annualized risk-adjusted return of 0.89.*

*Utilities was most correlated with Real Estate, at 0.63.*

Exhibit 12 shows the correlation in monthly returns, in USD, between the Utilities sector and a variety of other indices over the last decade. Utilities was most correlated with [Real Estate](#) (0.63) and least correlated with [Materials](#) (0.18).

Exhibit 12 also shows that there was a reasonably low correlation between Utilities sector returns and the performance of commodities, suggesting that performance of utilities companies could be relatively insulated against underlying commodity prices. The highest commodity-related correlation was with the [S&P GSCI Natural Gas](#) (0.21).

*The Utilities sector was least correlated with Materials, at 0.18.*

<b>Exhibit 12: Correlations of the S&amp;P 500 Utilities</b>			
<b>S&amp;P 500 SECTOR</b>	<b>CORRELATION</b>	<b>INDEX</b>	<b>CORRELATION</b>
Real Estate	0.63	S&P Australia BMI	0.36
Consumer Staples	0.62	S&P Switzerland BMI	0.35
Communication Services	0.42	S&P United States BMI	0.34
Health Care	0.32	S&P Developed BMI	0.33
Industrials	0.29	S&P Global BMI	0.32
Energy	0.26	S&P Developed Ex-U.S. BMI	0.30
Consumer Discretionary	0.25	S&P United Kingdom BMI	0.29
Information Technology	0.22	S&P Global Ex-U.S. BMI	0.29
Financials	0.21	S&P France BMI	0.27
Materials	0.18	S&P Canada BMI	0.26
<b>COMMODITIES</b>	<b>CORRELATION</b>	S&P Emerging BMI	0.23
S&P GSCI Natural Gas	0.21	S&P Japan BMI	0.22
S&P GSCI	0.12	S&P Germany BMI	0.22
S&P GSCI Crude Oil	0.12	S&P Korea BMI	0.17
S&P GSCI Energy	0.11	S&P China BMI	0.03
		S&P 500	0.35
		S&P MidCap 400	0.33
		S&P SmallCap 600	0.25

Source: S&P Dow Jones Indices LLC. Correlations based on monthly total return data from June 2010 to June 2020. 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.

Exhibit 13 shows that the performance of Utilities sector companies can vary, especially when comparing the more granular company groupings.

**Exhibit 13: Annualized Returns of the S&P 500 Utilities GICS Sub-Indices**

INDEX	ANNUALIZED RETURN (%)			
	1-YEAR	3-YEAR	5-YEAR	10-YEAR
S&P 500 Utilities	-2.11	6.41	10.17	11.31
<b>INDUSTRY GROUP</b>				
S&P 500 Utilities	-2.11	6.41	10.17	11.31
<b>INDUSTRY</b>				
S&P 500 Electric Utilities	-0.57	5.92	10.06	10.63
S&P 500 Gas Utilities	-3.68	-49.39	-37.38	-11.99
S&P 500 Multi-Utilities	-5.29	5.65	10.03	12.17
S&P 500 Water Utilities	12.79	20.44	N/A	N/A
S&P 500 Independent Power and Renewable Electricity Producers	-13.05	16.38	6.05	5.95
<b>SUB-INDUSTRY</b>				
S&P 500 Electric Utilities	-0.57	5.92	10.06	10.63
S&P 500 Gas Utilities	-3.68	-49.39	-37.38	-11.99
S&P 500 Multi-Utilities	-5.29	5.65	10.03	12.17
S&P 500 Water Utilities	12.79	20.44	N/A	N/A
S&P 500 Independent Power Producers & Energy Traders	-13.05	16.38	6.05	5.95
S&P 500 Renewable Electricity*	N/A	N/A	N/A	N/A

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2020. \*The S&P 500 Renewable Electricity sub-industry contained no companies as of June 30, 2020. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

*Performance of industries within the Utilities sector has varied.*

Another way to show the variation of Utilities companies' returns is to look at dispersion, which measures the index-weighted average standard deviation of constituent returns. In other words, it tells us the difference between the outperformers and laggards in a particular market or market segment.<sup>1</sup>

*The Utilities sector posted the lowest constituent dispersion and highest constituent correlation.*

Exhibit 14 compares the average monthly correlation and dispersion figures for each S&P 500 sector over the 10-year period ending June 30, 2020. Utilities companies showed a high propensity to co-movement, posting the highest average sector correlations. There was also typically limited spread in constituent returns: Utilities posted the lowest constituent dispersion of any S&P 500 sector.<sup>2</sup>

In other words, the high correlation figures meant that the sector choice was more important than stock selection, while the low dispersion meant there was relatively low benefit to stock selection.

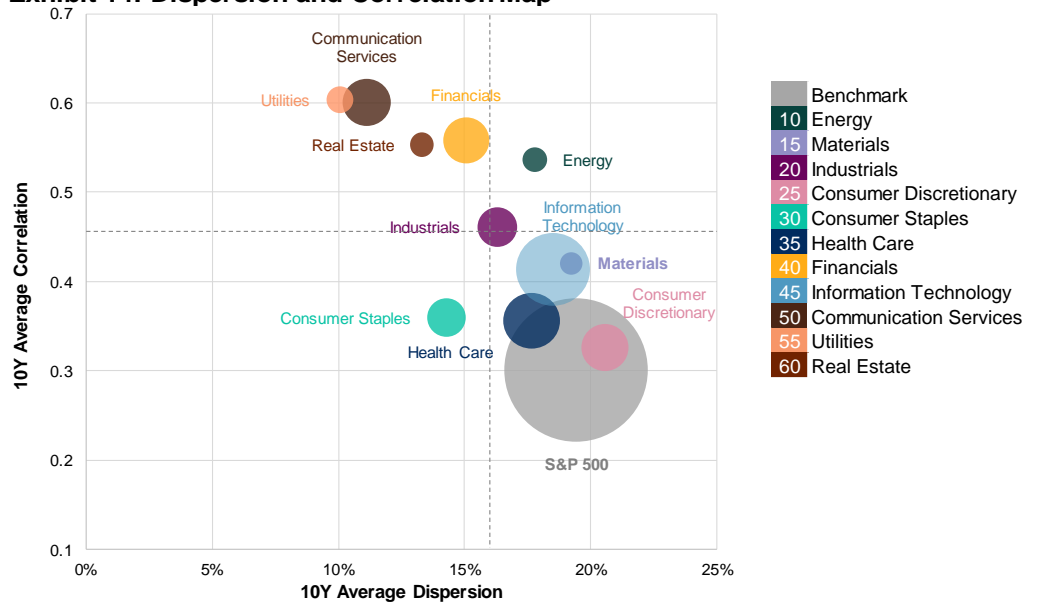
<sup>1</sup> For an introduction to dispersion and some stylized facts regarding its applications and relationships to other risk measures, see Edwards, Tim and Craig J. Lazzara, "[Dispersion: Measuring Market Opportunity](#)," December 2013 and "[The Landscape of Risk](#)," December 2014.

<sup>2</sup> For monthly updates on sector dispersion and correlation, please see our [U.S. Sector Dashboard](#), which includes a S&P 500 GICS Sectors dispersion and correlation map. Sign up for other dashboard and scorecard emails [here](#).

*High correlations meant sector choice was more important than stock selection.*

*Low dispersion meant there was limited benefit to stock selection in the Utilities sector.*

**Exhibit 14: Dispersion and Correlation Map**



Source: S&P Dow Jones Indices LLC. Data from June 30, 2010, through June 30, 2020. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes. Please see the [U.S. Sector Dashboard](#) for more sector dispersion and correlation analysis.

**CONCLUSION**

*Utilities companies tend to have lower foreign revenue exposure than the broader market benchmarks.*

The S&P 500 Utilities sector represents one of the 11 GICS sectors, and it accounted for 3.07% of the U.S. equity benchmark as of June 30, 2020. Within the sector, Electric Utilities was the largest industry and sub-industry historically.

Companies from the Utilities sector were typically tilted toward value rather than growth, and they tended to have lower foreign revenue exposure than the broader market benchmarks across large-, mid-, and small-cap indices. The returns of the sector have been most correlated to the Real Estate sector and have exhibited reasonably high correlations with the [S&P 500](#) [Consumer Staples](#).

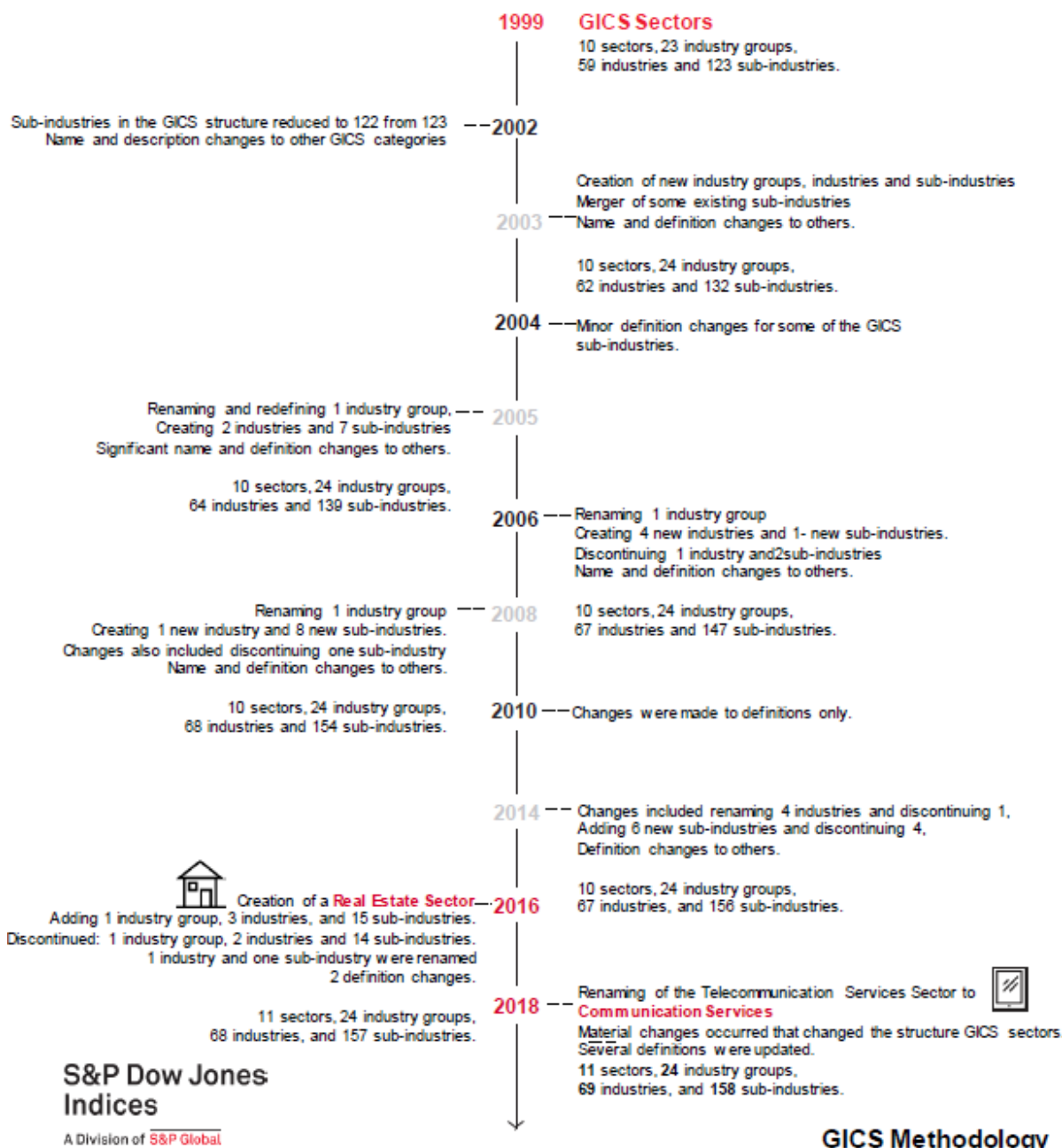
## APPENDIX A

Exhibit 16: A Chronology of GICS

# GICS® Structure

## Chronology of Events

The four-tier GICS structure accurately reflects equities in today's global investment environment, yet is flexible enough to capture tomorrow's developments. The eight-digit GICS coding system is designed to adapt easily to the changing investment world. As the global economy changes, sectors, industry group, industries, and sub-industries can be added or divided.



Source: S&P Dow Jones Indices LLC. Data as of December 2019. Chart is provided for illustrative purposes.

## APPENDIX B

Exhibit 17: Exchange-Traded Products Based on the GICS Utilities Classification				
EQUITY	PRODUCT NAME	PRODUCT TYPE	EXCHANGE	TICKER
<b>UTILITIES</b>				
S&P 500 Capped 35/20 Utilities	iShares S&P 500 Utilts Sect ETF USD Acc	ETF	LONDON STOCK EXCHANGE	IUUS
S&P 500 Equal Weight Utilities & Telecommunications	Invesco S&P 500® Equal Weight Utilts ETF	ETF	NYSE ARCA	RYU
S&P SmallCap 600 Capped Utilities & Communication Services	Invesco S&P SmallCap Ult & Comnc Svc ETF	ETF	NASDAQ	PSCU
S&P Global 1200 Utilities	iShares Global Utilities ETF	ETF	NYSE ARCA	JXI
S&P Select Capped 20% Utilities	Invesco Utilities S&P US Select Sec ETF	ETF	LONDON STOCK EXCHANGE	XLUS
S&P Utilities Select Sector Daily Capped 25/20	SPDR® S&P US Utilities Select Sect ETF	ETF	LONDON STOCK EXCHANGE	SXLU
S&P/TSX Capped Utilities	S&P/TSX Capped Utilities	Future	MONTREAL EXCHANGE	SXU
S&P/TSX Capped Utilities	iShares S&P/TSX Capped Utilities ETF	ETF	TORONTO STOCK EXCHANGE	XUT
Utilities Select	S&P Utilities Select Sector	Option	CHICAGO BOARD OPTIONS EXCHANGE	SIXU
Utilities Select	E-mini S&P Utilities Sector	Future	CHICAGO MERCHANTILE EXCHANGE	XAU
Utilities Select	Direxion Daily Utilities Bull 3X ETF	ETF	NYSE ARCA	UTSL
Utilities Select	Utilities Select Sector SPDR ETF	ETF	NYSE ARCA	XLU
Utilities Select	Utilities Select Sector SPDR ETF	ETF Option	NYSE ARCA	XLU
Utilities Select	MTF SAL (4A) S&P Utilities - Hedged	ETF		MTFF49

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2020. Table is provided for illustrative purposes. This list includes investable products traded on certain exchanges currently linked to this selection of indices. While we have tried to include all such products, we do not guarantee the completeness or accuracy of such lists. For more information about S&P Dow Jones Indices' linked products, please visit [our website](#).

## FURTHER RESOURCES

[GICS Methodology](#)

[Investment Theme: Sectors](#)

[Sector Primers](#)

GICS Code	Sector Name
10	<a href="#">Energy</a>
15	<a href="#">Materials</a>
20	<a href="#">Industrials</a>
25	<a href="#">Consumer Discretionary</a>
30	<a href="#">Consumer Staples</a>
35	<a href="#">Health Care</a>
40	<a href="#">Financials</a>
45	<a href="#">Information Technology</a>

[GICS Map Book](#)

[U.S. Sector & Industry Indices](#)

## PERFORMANCE DISCLOSURE

The S&P 500 Real Estate was launched September 19, 2016. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was 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. Complete index methodology details are available at [www.spdji.com](http://www.spdji.com). Past performance of the Index is not an indication of future results. Prospective application of the methodology used to construct the Index may not result in performance commensurate with the back-test returns shown.

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The back-test period does not necessarily correspond to the entire available history of the Index. Please refer to the methodology paper for the Index, available at [www.spdji.com](http://www.spdji.com) 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.

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