

Frequently Asked Questions

S&P/TSX 60 Dividend Points Index

- 1. What are “dividend points”?** Index points refer to the level of an index. For example, if the [S&P/TSX 60](#) is trading at 900, it is said to have a level of 900 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/TSX 60 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/TSX 60 Price Return and the S&P/TSX 60 Dividend Points Index.

- 3. Why is there a dividend points index?** By offering an index that represents dividend payments of S&P/TSX 60 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/TSX 60 Dividend Points indices are there?** There is one index that resets quarterly and one that resets annually. They are called the [S&P/TSX 60 Dividend Points Index \(Quarterly\)](#) and the [S&P/TSX 60 Dividend Points Index \(Annual\)](#).
- 6. Why does the index periodically reset at zero?** The index represents cumulative cash dividends paid over a defined period, either one quarter or one year. At the start of the next period, the index is reset to zero so that it reflects dividends paid in discrete periods that coincide with the expiration of S&P/TSX 60 futures. Having the index reset when futures expire is useful because it enables the index to potentially be used as the underlying index for financial instruments that could be designed to hedge periodic dividend risk of index futures.

Resetting also allows for comparisons of dividend payouts from one period to another. One can measure changes in dividends from one period to another.

- 7. When does the index reset at zero?** The S&P/TSX 60 Dividend Points Index (Quarterly) resets after the market close on the third Friday of the last month of each calendar quarter. This coincides with S&P/TSX 60 futures expiration. The S&P/TSX 60 Dividend Points Index (Annual) resets only on the third Friday of December.
- 8. How have S&P/TSX 60 dividends grown over the years?** Measured year-over-year, the annualized growth rate of dividends was about 5.3% for the five-year period from July 2015 to July 2020.
- 9. How much of the total return of the S&P/TSX 60 has been due to dividends?** Over the same five-year period from July 2015 to July 2020, the S&P/TSX 60 TR grew about 5.8% per year. Approximately 56% of this growth came from the reinvestment of dividends.
- 10. What dividend payments are included in the S&P/TSX 60 Dividend Points Index?** The index represents dividends paid by S&P/TSX 60 constituents that are also included in the S&P/TSX 60 TR. The determination of which dividends are included in the total return index is described in the [S&P/TSX Canadian Indices Methodology](#).
- 11. Are special dividends included in the index?** Only stock and cash dividends, as defined in the S&P/TSX Canadian Indices Methodology, 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/TSX 60 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 is the index 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/TSX 60 divisor, which transforms the CAD value into index points. Dividend payments in USD are translated into CAD 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/TSX 60 Dividend Points Index for that day.

For more information on the S&P/TSX 60 Dividend Points Index, please visit our website: www.spglobal.com/spdji/.

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