S&P Dow Jones Indices

A Division of S&P Global

TalkingPoints

Introducing the S&P Quality FCF Aristocrats Suite

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The S&P Quality FCF Aristocrats® Indices were launched to track companies that demonstrate consistent and efficient free cash flow (FCF) generation. The S&P 500® Quality FCF Aristocrats Index was launched in September 2024, followed by the S&P MidCap 400® Quality FCF Aristocrats Index and S&P SmallCap 600® Quality FCF Aristocrats Index in July 2025, thereby providing comprehensive coverage of the U.S. market.

Together, these indices offer a framework for identifying high quality and resilient businesses across the market-cap spectrum. By emphasizing consistent fundamental strength, the S&P Quality FCF Aristocrats Indices seek to identify companies that are likely positioned to deliver lasting shareholder value.

1. What is the goal of the S&P Quality FCF Aristocrats Indices?

The S&P Quality FCF Aristocrats Indices track high-quality companies distinguished by strong and consistent FCF generation. To qualify under the index methodology, companies must demonstrate a minimum number of consecutive years of positive FCF, alongside high FCF margins and FCF return on invested capital (ROIC). By emphasizing both consistency and efficiency in FCF generation, the indices highlight companies that are likely better positioned to withstand challenging macroeconomic conditions while positioned for long-term growth.

2. How can FCF be utilized to assess company quality?

FCF can serve as an indicator of company quality as it reflects the cash a business generates after covering its operational expenses and capital investments. FCF offers a view of a company's capacity to sustain operations, pursue growth opportunities, pay cash dividends, repurchase stock or reduce debt. As such, FCF has the potential to highlight companies that generate value for shareholders and perhaps provide a buffer during economic downturns.

3. What makes FCF a valuable metric for identifying high-quality mid- and small-cap companies?

FCF can be an especially valuable measure of quality in mid- and small-cap companies, where earnings are often more volatile and financial transparency may be limited. Strong and consistent FCF helps identify businesses with maintainable growth potential while offering potential downside protection. Moreover, since mid- and small-cap companies are often viewed as riskier than large caps—due to their higher cost of capital and sensitivity to the business cycle—strong and consistent FCF becomes an indicator of resilience.

4. How do these indices work?

To qualify for inclusion under the applicable index methodology, companies must first pass an FCF screen, which requires a minimum number of consecutive years of positive FCF. For the S&P 500 Quality FCF Aristocrats Index, this requirement is 10 consecutive years, while the S&P MidCap 400 and SmallCap 600 versions require 7 years. From this pool, the top constituents are selected using an FCF score, which is based on the average of their five-year FCF margin and five-year FCF ROIC. Additionally, constituents are weighted according to their float market cap (FMC) and FCF score, with maximum stock and sector weights of 5% and 40%, respectively. The indices are rebalanced twice a year, in April and October. For more information, please see the full methodology available here: S&P Quality FCF Aristocrats Methodology.

Exhibit 1: Methodology Overview

Metric	S&P 500 Quality FCF Aristocrats	S&P MidCap 400 Quality FCF Aristocrats	S&P SmallCap 600 Quality FCF Aristocrats
Universe	S&P 500	S&P 400®	S&P 600®
FCF Screening	Postive FCF for at least 10 years	Postive FCF for at least 7 years	Postive FCF for at least 7 years
Security Selection		Average of: (1) Five-year average of FCF Margin (2) Five-year average of FCF ROIC"	
Target Constituent Count	100	80	80
Weighting		Float Market-Capitalization x FCF Score	
Capping		5% maximum stock weight, 40% maximum GICS sector weight	
Rebalancing		Semi-annually in April and October	

Source: S&P Dow Jones Indices LLC. Data as of Sept. 30, 2025. Table is provided for illustrative purposes.

5. Please explain the rationale for the FCF screen, and why is a five-year average for used for the FCF Score?

A core principle of these indices is that companies must demonstrate high quality through consistent fundamental strength. The FCF screen, which requires a long track record of positive FCF, is viewed as an indicator that a business may be resilient and capable of generating cash during economic downturns, industry declines and company-specific challenges. This filter excludes many companies, typically leaving only those with robust business models and disciplined management.

When evaluating FCF margin and FCF ROIC for the FCF score, using a five-year average is important. FCF can fluctuate significantly from year to year due to working capital changes, capital expenditures and one-off events. Relying on a single year may distort a company's true cash-generating ability—either overstating it during a peak year or understating it in a capex-heavy year. By averaging over five years, this volatility can be smoothed out, providing a clearer understanding of a company's normalized cash generation capacity.

6. What do the FCF margin and FCF ROIC selection metrics assess?

FCF margin measures a company's efficiency in converting revenue into FCF, expressed as a percentage of total revenue. A higher FCF margin signals a stronger cash generation capacity. This positioning allows the company to better withstand downturns by maintaining healthy cash flows, even when revenues decline. Additionally, a healthy FCF margin indicates pricing power, operating efficiency and disciplined cost management.

FCF ROIC evaluates how effectively a company uses its invested capital to generate FCF. A sustained high FCF ROIC indicates that a firm not only generates profits but also consistently produces excess cash beyond its capital requirements, which is a key driver of long-term shareholder value. Companies with strong FCF ROIC are generally more resilient, as their capital base is productive in generating cash. This metric may also serve as an indicator of firms with competitive advantages, commonly referred to as economic moats.

7. What are the key characteristics of these indices?

Over the full back-tested period, each of the S&P Quality FCF Aristocrats Indices would have outperformed its benchmark universe since April 2001. Moreover, the back-tested data for these indices demonstrated lower overall volatility and reduced maximum drawdowns, indicating what would have been strong risk-adjusted performance over the long term.

Exhibit 2: S&P 500 Quality FCF Aristocrats Net of 0.49% Hypothetical Expenses Back-Tested Performance Statistics

Period	S&P 500	S&P 500 Quality FCF Aristocrats Index	S&P 500 Quality FCF Aristocrats Index Net of 0.49% Hypothetical Expenses
Back-Tested Annualized Performance (%)			
Full Period	9.15	11.13	10.59
YTD	14.83	17.08	16.65
1-Year	17.60	20.88	20.29
3-Year	24.91	32.31	31.68
5-Year	16.46	19.67	19.09
10-Year	15.29	18.14	17.57
20 Year	10.96	13.61	13.06
Annualized Volatility (%)			
Full Period	14.98	14.37	14.37
Risk-Adjusted Returns			
Full Period	0.61	0.77	0.74
Drawdowns (%)			
Full Period	-50.95	-41.85	-42.24

Source: S&P Dow Jones Indices LLC. Data from April 30, 2001, to Sept. 30, 2025. The S&P 500 Quality FCF Aristocrats Index was launched on Sept. 23, 2024. The hypothetical expense ratio applied to the S&P 500 Quality FCF Aristocrats Index in the table 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.

Exhibit 3: S&P MidCap 400 Quality FCF Aristocrats Net of 0.49% Hypothetical Expenses Back-Tested Performance Statistics

Period	S&P 400	S&P MidCap 400 Quality FCF Aristocrats Index	S&P MidCap 400 Quality FCF Aristocrats Index Net of 0.49% Hypothetical Expenses
Back-Tested Annualized Performance (%)			
Full Period	9.47	11.07	10.53
YTD	5.76	7.86	7.46
1-Year	6.13	9.77	9.23
3-Year	15.82	20.89	20.30
5-Year	13.60	13.84	13.29
10-Year	10.82	14.51	13.96
20 Year	9.53	12.28	11.73
Annualized Volatility (%)			
Full Period	17.71	16.91	16.91
Risk-Adjusted Returns			
Full Period	0.53	0.65	0.62
Drawdowns (%)			
Full Period	-49.62	-45.92	-46.40

Source: S&P Dow Jones Indices LLC. Data from April 30, 2001, to Sept. 30, 2025. The S&P MidCap 400 Quality FCF Aristocrats Index was launched on July 28, 2025. The hypothetical expense ratio applied to the S&P MidCap 400 Quality FCF Aristocrats Index in the table 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.

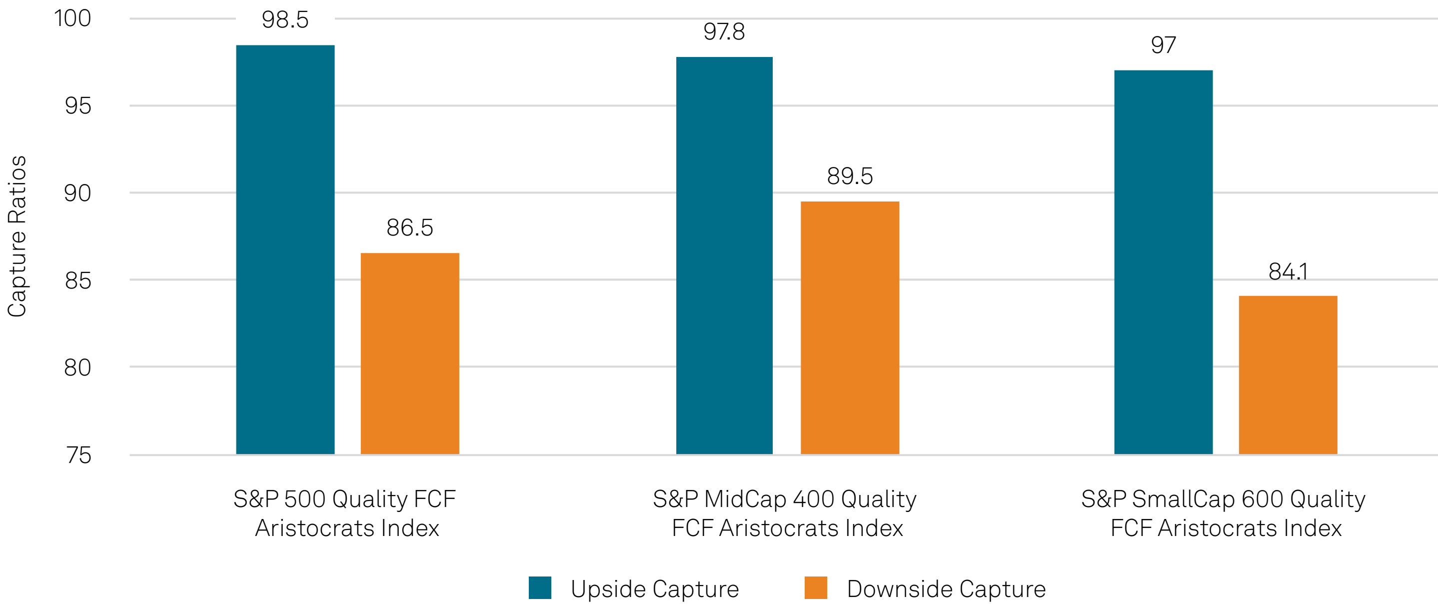
Exhibit 4: S&P SmallCap 600 Quality FCF Aristocrats Net of 0.59% Hypothetical Expenses Back-Tested Performance Statistics

Period	S&P 600	S&P SmallCap 600 Quality FCF Aristocrats Index	S&P SmallCap 600 Quality FCF Aristocrats Index Net of 0.59% Hypothetical Expenses
Back-Tested Annualized Performance (%)			
Full Period	9.40	12.31	11.65
YTD	4.24	4.92	4.46
1-Year	3.64	4.66	4.04
3-Year	12.80	18.13	17.44
5-Year	12.93	16.06	15.39
10-Year	10.02	14.23	13.56
20 Year	8.83	11.69	11.04
Annualized Volatility (%)			
Full Period	19.47	18.32	18.32
Risk-Adjusted Returns			
Full Period	0.48	0.67	0.64
Drawdowns (%)			
Full Period	-52.15	-44.30	-44.75

Source: S&P Dow Jones Indices LLC. Data from April 30, 2001, to Sept. 30, 2025. The S&P SmallCap 600 Quality FCF Aristocrats Index was launched on July 28, 2025. The hypothetical expense ratio applied to the S&P SmallCap 600 Quality FCF Aristocrats Index in the table is 0.59%. 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.

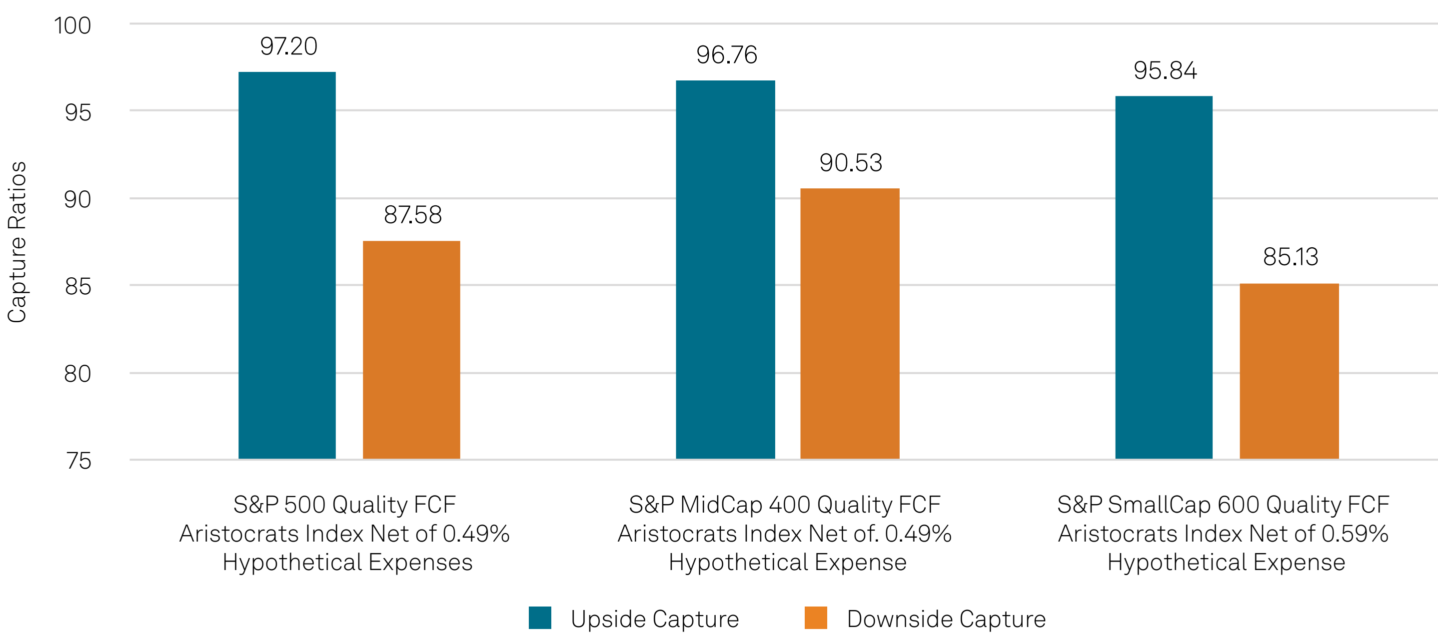
The capture ratios are quite consistent across the S&P Quality FCF Aristocrats Indices, providing nearly one-for-one participation on the upside while maintaining significantly lower downside capture ratios (see Exhibits 5 and 6).

Exhibit 5: Back-Tested Index Data Capture Ratio Comparison



Source: S&P Dow Jones Indices LLC. Data from April 30, 2001, to Sept. 30, 2025. The S&P 500 Quality FCF Aristocrats Index was launched on Sept. 23, 2024. The S&P MidCap 400 Quality FCF Aristocrats Index and S&P SmallCap 600 Quality FCF Aristocrats Index were launched on July 28 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.

Exhibit 6: Back-Tested Index Data net of Hypothetical Expenses Capture Ratio Comparison



Source: S&P Dow Jones Indices LLC. Data from April 30, 2001, to Sept. 30, 2025. The S&P 500 Quality FCF Aristocrats Index was launched on Sept. 23, 2024. The S&P MidCap 400 Quality FCF Aristocrats Index and S&P SmallCap 600 Quality FCF Aristocrats Index were launched on July 28 2025. The hypothetical expense ratios applied to the chart are 0.49%, 0.49%, and 0.59% for the S&P 500 Quality FCF Aristocrats Index, S&P MidCap 400 Quality FCF Aristocrats Index and S&P SmallCap 600 Quality FCF Aristocrats Index, respectively. 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.

The defensive qualities of the S&P Quality FCF Aristocrats Indices are further illustrated in Exhibits 7-9, which highlight back-tested performance during historical drawdowns compared to their respective benchmarks. On average, these indices would have outperformed their benchmarks during the six major drawdowns observed throughout the back-tested period.

Exhibit 7: S&P 500 Quality FCF Aristocrats Index Net of 0.59% Hypothetical Expenses Back-Tested Historical Drawdown Comparison

Historical Drawdowns	S&P 500	S&P 500 Quality FCF Aristocrats Index	S&P 500 Quality FCF Aristocrats Index Net of 0.49% Hypothetical Expenses
Global Financial Crisis (Sept. 2007 – Feb. 2009)	-50.9%	-41.8%	-42.2%
Europe Crisis (March 2010 – June 2010)	-11.4%	-11.6%	-11.7%
China Black Monday (May 2015 – Sept. 2015)	-8.2%	-7.2%	-7.4%
Q4 2018 (Sept. 2018 – Dec. 2018)	-13.5%	-12.6%	-12.7%
COVID-19 (March 2020)	-12.4%	-10.6%	-10.6%
Fed Tightening (Dec. 2021 – Oct. 2022)	-17.7%	-21.4%	-21.7%
Average	-19.0%	-17.5%	-17.7%

Source: S&P Dow Jones Indices LLC. Data from Sept. 30, 2007, to Oct. 31, 2022. The S&P 500 Quality FCF Aristocrats Index was launched on Sept. 23, 2024. The hypothetical expense ratio applied to the S&P 500 Quality FCF Aristocrats Index in the table 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.

Exhibit 8: S&P MidCap 400 Quality FCF Aristocrats Index Net of 0.49% Hypothetical Expenses Back-Tested Historical Drawdown Comparison

Historical Drawdowns	S&P 400	S&P MidCap 400 Quality FCF Aristocrats Index	S&P MidCap 400 Quality FCF Aristocrats Index Net of 0.49% Hypothetical Expenses
Global Financial Crisis (Sept. 2007 – Feb. 2009)	-49.4%	-44.5%	-44.9%
Europe Crisis (March 2010 – June 2010)	-9.6%	-8.4%	-8.6%
China Black Monday (May 2015 – Sept. 2015)	-9.7%	-6.1%	-6.2%
Q4 2018 (Sept. 2018 – Dec. 2018)	-17.3%	-16.1%	-16.2%
COVID-19 (March 2020)	-20.2%	-13.7%	-13.8%
Fed Tightening (Dec. 2021 – Oct. 2022)	-13.3%	-16.0%	-16.4%
Average	-19.9%	-17.5%	-17.7%

Source: S&P Dow Jones Indices LLC. Data from Sept. 30, 2007, to Oct. 31, 2022. The S&P MidCap 400 Quality FCF Aristocrats Index was launched on July 28, 2025. The hypothetical expense ratio applied to the S&P MidCap 400 Quality FCF Aristocrats Index in the table 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.

Exhibit 9: S&P SmallCap 600 Quality FCF Aristocrats Index Net of 0.59% Hypothetical Expenses Back-Tested Historical Drawdown Comparison

Historical Drawdowns	S&P 600	S&P SmallCap 600 Quality FCF Aristocrats Index	S&P SmallCap 600 Quality FCF Aristocrats Index Net of 0.49% Hypothetical Expenses
Global Financial Crisis (Sept. 2007 – Feb. 2009)	-51.4%	-44.3%	-44.7%
Europe Crisis (March 2010 – June 2010)	-8.7%	-6.6%	-6.8%
China Black Monday (May 2015 – Sept. 2015)	-8.3%	-4.7%	-4.9%
Q4 2018 (Sept. 2018 – Dec. 2018)	-20.1%	-19.8%	-19.9%
COVID-19 (March 2020)	-22.4%	-14.5%	-14.5%
Fed Tightening (Dec. 2021 – Oct. 2022)	-13.7%	-19.7%	-20.1%
Average	-20.8%	-18.3%	-18.5%

Source: S&P Dow Jones Indices LLC. Data from Sept. 30, 2007, to Oct. 31, 2022. The S&P SmallCap 600 Quality FCF Aristocrats Index was launched on July 28, 2025. The hypothetical expense ratio applied to the S&P SmallCap 600 Quality FCF Aristocrats Index in the table is 0.59%. 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.

8. What are the sector exposures of the indices compared to their underlying universes?

Exhibit 10 presents the full period (i.e., April 30, 2001 – Sept. 30, 2025) average sector comparisons for the S&P Quality FCF Aristocrats Indices against their benchmark universes. Information Technology and Health Care show significant overweights across all three indices, while more capital-intensive sectors like Energy and Materials display notable underweights.

Exhibit 10: Full-Period Back-tested Sector Comparison

Sector	S&P 500	S&P 500 Quality FCF Aristocrats Index	Difference	S&P 400	S&P MidCap 400 Quality FCF Aristocrats Index	Difference	S&P 600	S&P Smallcap 600 Quality FCF Aristocrats Index	Difference
Communication Services	6.1	4.9	-1.2	1.9	1.9	0.0	2.1	2.6	0.6
Consumer Discretionary	11.0	6.8	-4.2	14.1	17.7	3.6	15.2	17.5	2.3
Consumer Staples	9.0	12.7	3.7	3.9	2.8	-1.1	3.7	3.2	-0.5
Energy	7.6	2.0	-5.6	5.5	0.5	-5.0	5.0	1.6	-3.4
Financials	15.5	5.1	-10.5	18.3	6.7	-11.6	17.5	9.7	-7.8
Health Care	13.2	26.3	13.2	10.5	15.8	5.4	12.1	18.1	6.0
Industrials	10.0	5.0	-4.9	15.9	19.8	3.8	17.4	13.8	-3.7
Information Technology	20.6	36.5	15.9	14.8	33.0	18.2	15.7	30.9	15.2
Materials	2.9	0.6	-2.3	6.2	1.7	-4.5	5.1	2.4	-2.7
Real Estate	1.0	0.0	-1.0	3.4	0.0	-3.4	2.7	0.0	-2.7
Utilities	3.1	0.1	-3.1	5.5	0.1	-5.4	3.5	0.3	-3.2

Source: S&P Dow Jones Indices LLC. Data from April 30, 2001, to Sept. 30, 2025. The S&P 500 Quality FCF Aristocrats Index was launched on Sept. 23, 2024. The S&P MidCap 400 Quality FCF Aristocrats Index and S&P SmallCap 600 Quality FCF Aristocrats Index were launched on July 28, 2025. 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.

Performance Disclosure/Back-Tested Data

The S&P 500 Quality FCF Aristocrats Index was launched on September 23, 2024. The S&P MidCap 400 Quality FCF Aristocrats Index and S&P SmallCap 600 Quality FCF Aristocrats Index were launched on July 28, 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).