

## Alerian Dividend-Weighted Indices Consultation on Changes to the Quarterly Rebalancing Process

**AMSTERDAM, APRIL 20, 2020:** S&P DJI Netherlands B.V., a wholly owned subsidiary of S&P Dow Jones Indices LLC., (“S&P Dow Jones Indices” or “S&P DJI”) is the benchmark administrator for the Alerian Dividend-Weighted Indices. The Alerian Dividend-Weighted Indices are owned by GKD Index Partners, LLC doing business as Alerian. S&P DJI is conducting a consultation with market participants on potential changes to these indices.

S&P DJI is considering redefining the Observation Date, implementing a quarterly dividend screen in addition to the one performed as part of the annual reconstitution, as well as modifying the constituent weighting scheme to take advantage of more timely data. The tables below and on the following page summarize the proposed changes.

Proposed Change	Methodology	
	Current	Proposed
Observation Date Definition	The <b>Observation Date</b> is after the close of the last Index Business Day in September and only applies to the annual reconstitution in October.	The <b>Observation Date</b> is as of the close of the last Index Business Day in September for purposes of the October quarterly rebalancing and annual reconstitution. For purposes of the January, April, and July quarterly rebalancings, it is as of the close of the fourth Index Business Day prior to the Rebalancing Reference Date.
Dividend Screening	A dividend screen is performed as part of the annual reconstitution in October. As of the Observation Date, stocks must have declared a cash dividend (excluding special dividends) or distribution for each of the trailing two quarters.	<p>A dividend screen is performed as part of the annual reconstitution in October. As of the Observation Date, stocks must have declared a cash dividend (excluding special dividends) or distribution for each of the trailing two quarters.</p> <p>An additional screen is performed as part of the quarterly rebalancing process. If a company discontinues or cancels its dividend, as of the Observation Date, it will be removed from the indices on the Rebalancing Date.</p>

Proposed Change	Methodology	
	Current	Proposed
<p>Constituent Weighting</p>	<p>At the annual reconstitution, the weight for each index constituent is set in the following manner:</p> <ol style="list-style-type: none"> <li>1. With data reflected on the Observation Date, each company is assigned a weighting as a proportion of aggregate annualized dividends paid. Each stock's proportion is calculated as the shares outstanding * annualized dividend, which is the latest dividend * 4 for quarterly dividend payers or * 12 for monthly dividend payers. The latest dividend is defined as the last dividend to have gone ex before the Observation Date.</li> <li>2. Stocks are assigned index shares and rebalancing weights using the closing prices as of the Reference Date (the second Friday of October).</li> <li>3. Any company with a weight greater than 10% is capped at 10%.</li> <li>4. All excess weight is proportionally redistributed to all uncapped stocks within the respective index.</li> <li>5. After this redistribution, if the weight of any other stock(s) breaches the 10% weight limit, the process is repeated iteratively until no stock(s) breaches the respective weight cap.</li> </ol> <p>If there are fewer than 10 MLP constituents for the Alerian MLP Infrastructure Dividend Index, constituent eligibility is then opened to C Corps from the GICS sub-industry "Oil &amp; Gas Storage &amp; Transportation (Code: 10102040). For each MLP under 10 qualified constituents, one C Corp is added, adding the C Corp with the largest dividend-weighting available first and working down by largest weighting.</p> <p>At each quarterly rebalancing, the weight for each Index constituent is set in the following manner:</p> <ol style="list-style-type: none"> <li>1. Any company with a weight greater than 10% on the Reference Date is capped at 10%.</li> <li>2. All excess weight is proportionally redistributed to all uncapped stocks within the respective index.</li> <li>3. After this redistribution, if the weight of any other stock(s) breaches the 10% weight limit, the process is repeated iteratively until no stock(s) breaches the respective weight cap.</li> <li>4. If there are fewer than 10 constituents, the index will be equally-weighted among the constituents.</li> </ol>	<p>At each quarterly rebalancing, the weight for each index constituent is set in the following manner:</p> <ol style="list-style-type: none"> <li>1. With data reflected on the Observation Date, each company is assigned a weighting as a proportion of aggregate annualized dividends paid. Each stock's proportion is calculated as the shares outstanding * annualized dividend, which is the latest dividend * 4 for quarterly dividend payers or * 12 for monthly dividend payers. The latest dividend is defined as the last dividend to have gone ex before the Observation Date.</li> <li>2. Stocks are assigned index shares and rebalancing weights using the closing prices as of the Reference Date.</li> <li>3. Any company with a weight greater than 10% on the Reference Date is capped at 10%.</li> <li>4. All excess weight is proportionally redistributed to all uncapped stocks within the respective index.</li> <li>5. After this redistribution, if the weight of any other stock(s) breaches the 10% weight limit, the process is repeated iteratively until no stock(s) breaches the respective weight cap.</li> <li>6. If there are fewer than 10 constituents, the index is equally-weighted.</li> </ol> <p>If there are fewer than 10 MLP constituents for the Alerian MLP Infrastructure Dividend Index, constituent eligibility is then opened to C Corps from the GICS sub-industry "Oil &amp; Gas Storage &amp; Transportation (Code: 10102040). For each MLP under 10 qualified constituents, one C Corp is added, adding the C Corp with the largest dividend-weighting available first and working down by largest weighting.</p>

## IMPACT ANALYSIS

Using dividend data from January 6, 2020 (the Observation Date as of the first quarterly rebalancing of 2020 under the proposed constituent weighting change), the tables below and on the following page show the composition weights using the current and proposed constituent weighting rules for the Alerian Midstream Energy Dividend Index and the Alerian MLP Infrastructure Dividend Index, respectively.

Please note that for both indices, no companies would have been excluded if the proposed quarterly dividend screen had been in effect at that time.

<b>Alerian Midstream Energy Dividend Index – Constituent Weights</b>		
<b>Company Name</b>	<b>Current Methodology</b>	<b>Proposed Methodology</b>
Enterprise Product Partners LP	10.0000%	10.0000%
Enbridge Inc	10.0000%	10.0000%
Energy Transfer Operating LP	9.9310%	9.4405%
MPLX LP	8.2760%	8.2778%
Kinder Morgan Inc	7.0652%	6.5370%
TC Energy Corporation	6.3252%	6.1962%
The Williams Companies Inc	5.5035%	5.3172%
ONEOK Inc	4.6890%	4.3635%
Plains All American Pipeline LP	2.9745%	3.0257%
Western Midstream Partners, LP	2.9278%	3.2425%
Pembina Pipeline Corporation	2.9198%	2.9042%
Magellan Midstream Partners	2.6475%	2.6895%
Phillips 66 Partners LP	2.6116%	2.2726%
Targa Resources Corp	2.4991%	2.4455%
EQM Midstream Partners, LP	2.3814%	2.6845%
Cheniere Energy Partners LP	2.3091%	2.4952%
Antero Midstream Corp	1.7576%	1.7871%
Enable Midstream Partners LP	1.6063%	1.6603%
Inter Pipeline Ltd.	1.5900%	1.5665%
DCP Midstream, LP	1.3578%	1.8760%
Tallgrass Energy LP A	1.3017%	1.1378%
Shell Midstream Partners LP	1.2247%	1.1985%
Equitrans Midstream Corp	1.1424%	1.3234%
Enlink Midstream LLC	1.1395%	1.5931%
Keyera Corp.	1.0468%	0.9059%
Sunoco LP	0.7964%	0.7886%
Genesis Energy LP	0.7715%	0.7781%
Plains GP Holdings LP	0.7411%	0.7564%
TC Pipelines LP	0.5865%	0.5351%
NGL Energy Partners LP	0.5707%	0.5765%
Gibson Energy Inc	0.5195%	0.4245%
Crestwood Equity Partners LP	0.4620%	0.5008%
Noble Midstream Partners LP	0.3248%	0.6997%

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<b>Alerian MLP Infrastructure Dividend Index – Constituent Weights</b>		
<b>Company Name</b>	<b>Current Methodology</b>	<b>Proposed Methodology</b>
Energy Transfer Operating LP	10.0000%	10.0000%
Enterprise Product Partners LP	10.0000%	10.0000%
MPLX LP	10.0000%	10.0000%
Plains All American Pipeline LP	8.8405%	8.4641%
Western Midstream Partners, LP	8.7016%	9.0704%
Magellan Midstream Partners	7.8685%	7.5237%
Phillips 66 Partners LP	7.7619%	6.3572%
EQM Midstream Partners, LP	7.0778%	7.5095%
Cheniere Energy Partners LP	6.8627%	6.9802%
Enable Midstream Partners LP	4.7740%	4.6445%
DCP Midstream, LP	4.0355%	5.2478%
Shell Midstream Partners LP	3.6400%	3.3526%
Sunoco LP	2.3670%	2.2060%
Genesis Energy LP	2.2929%	2.1765%
TC Pipelines LP	1.7432%	1.4968%
NGL Energy Partners LP	1.6960%	1.6126%
Crestwood Equity Partners LP	1.3730%	1.4009%
Noble Midstream Partners LP	0.9653%	1.9572%

## **IMPLEMENTATION TIMING**

S&P DJI is proposing to implement the previously described methodology changes, if adopted, in conjunction with the next quarterly rebalancing, which takes effect prior to the market open on Monday, July 20, 2020.

## **QUESTIONS**

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

- 1. Do you agree with the proposal to redefine the Observation Date?**
- 2. If you answered Yes to question 1, do you agree with the proposal to implement a quarterly dividend screen in addition to the one performed as part of the annual reconstitution?**
- 3. If you answered Yes to question 1, do you agree with the proposal to modify the constituent weighting scheme?**
- 4. If any of the proposed changes are adopted, do you agree with the proposed implementation date?**
- 5. Do you have any other comments or feedback regarding the proposed changes outlined above?**

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. Please respond to this survey by **May 20, 2020**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

For further information about this consultation, please contact S&P Dow Jones Indices at [SPDJI\\_Index\\_Governance@spglobal.com](mailto:SPDJI_Index_Governance@spglobal.com).

*Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply*

## **CONSULTATION**

*with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.*

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit [www.spdji.com](http://www.spdji.com).

## ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500<sup>®</sup> and the Dow Jones Industrial Average<sup>®</sup>. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

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