

## Dow Jones Equal Weight U.S. Issued Corporate Bond Index Consultation

**NEW YORK, MARCH 27, 2018:** S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to the Dow Jones Equal Weight U.S. Issued Corporate Bond Index.

In order to align the pricing and index construction of this index with the rest of our U.S. fixed income family, S&P DJI is proposing to replace the current methodology with the proposed methodology described herein.

### CURRENT METHODOLOGY

The index is a sub-index of the S&P U.S. Issued Investment Grade Corporate Bond Index II. It is an equal-weighted index comprised of 96 bonds from three different industries: Industrial (48 Bonds), Financial (36 Bonds) and Utility (12 Bonds). An issuer may have up to four bonds in the index, but no more than one in each maturity cell.

In order to enter a maturity cell, a bond’s remaining time to maturity must be at least six months longer than the minimum maturity horizon for that cell. A bond already in a cell may remain until the end of the month prior to the month its maturity would fall below the index’s minimum.

**Eligibility Factors.** The index is also subject to the following applicable rules:

- **Rating.** Only ratings issued by S&P and Moody’s are considered. A bond must retain its investment grade rating to remain in the index.
- **Coupon.** Only fixed rate bonds are considered. Zero coupon bonds are excluded.
- **Optionality.** Callable/Puttable bonds are excluded. Bonds with make-whole calls are included.
- **Market of Issue.** Securities must be publicly issued in the U.S. SEC registered markets. 144a securities are excluded.
- **Maturity Cell.** Each maturity cell has a total of 24 eligible bonds.

Maturity Cell	Maturity in Years
2	between 1.5 – 3.49
5	between 3.5 – 7.49
10	between 7.5 – 17.49
30	at least 17.5

- **Industry Sector.** Each maturity cell is further broken down by industry sector according to the following chart.

Sector	Number of Bonds			
	Maturity Cell 2	Maturity Cell 5	Maturity Cell 10	Maturity Cell 30
Industrial	12	12	12	12
Financial	9	9	9	9
Utility	3	3	3	3

**Construction.** To limit turnover, the number of index composition changes in a given month is limited to nine (the “turnover rule”). All new additions will remain in the index for at least three months, as long as the minimum outstanding amount and investment grade criteria are met (“the three month index inclusion rule”). Bonds removed from the index are not eligible for readmission into the index for at least three months.

- Newly issued eligible bonds that do not have liquidity data are added to the index. If the bond is from an issuer already included in the index, it replaces the issuer’s existing index bond. If the bond is from an issuer not already included in the index, it replaces any bond that no longer meets the eligibility criteria for the respective maturity cell and industry sector or, if all existing index bonds remain eligible, it replaces the least liquid bond in the respective maturity cell and industry sector.
- A newly issued bond that has liquidity data and is from an issuer already included in the index replaces the issuer’s existing index bond if its liquidity is greater than the existing index bond.
- Index eligible newly issue bonds without liquidity data are added to the index regardless of liquidity or turnover.
- A newly issued eligible bond with liquidity data is added to the index so long as the turnover rule is not violated and it satisfies the following criteria:
  - Is not already in the index.
  - Has a dated date before the 15<sup>th</sup> of the current month.
  - Is not a 144a security.
  - Has a dated date within the last three months.
  - Has a par amount outstanding (AMTO) larger than the smallest AMTO of all other bonds within the sector bucket the security would enter.
  - Has an AMTO larger than a security from the same issuer within the sector bucket the security would enter.
  - Is non-callable.
  - Has the U.S. as its Country of Risk.
  - Has the most recent dated date of any bond from the same issuer within the sector bucket the security would enter.
- If there is a new bond with liquidity data eligible to enter, but no eligible deletions due to the three month index inclusion rule, the new bond is not added to the index.
  - Liquidity is measured by the average of the one and three month average volumes.

## **PROPOSED METHODOLOGY**

The index is a sub-index of the S&P U.S. Investment Grade Corporate Bond Index. It is an equal-weighted index consisting of 100 bonds. Each issuer may have up to four bonds in the index.

**Eligibility Factors.** The index is subject to the following applicable rules:

- **Rating.** S&P, Moody’s and Fitch are considered. The lowest available rating from the three agencies must be investment grade.
- **Coupon.** Only fixed rate bonds are considered. Zero coupon bonds are excluded.
- **Optionality.** Callable/Puttable bonds are excluded. Bonds with make-whole calls are included.

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- **Market of Issue.** Securities must be publicly issued in the U.S. SEC registered markets. 144a securities are excluded.
- **Country of Risk.** Country of risk must be the United States.

**Construction.** Bonds in the selection universe are ranked by par amount outstanding. The 100 largest bonds by par amount outstanding are selected to form the index, subject to a maximum of four bonds per issuer. In the case where more than one bond has the same par amount outstanding, the ranking is determined based on the following:

1. The most recently issued eligible bond is given preference.
2. If multiple eligible bonds remain, the Index Committee will determine the eligible issue at its discretion.

## PRO FORMA COMPOSITION

The bonds shown below represent a hypothetical March 2018 composition using a universe reference date of February 23, 2018.

Issue Description	Amount Outstanding	Issue Date
AAPL 1.000 05/03/18	4,000,000,000	5/3/2013
AAPL 2.400 05/03/23	5,500,000,000	5/3/2013
AAPL 3.250 02/23/26 '25	3,250,000,000	2/23/2016
AAPL 4.650 02/23/46 '45	4,000,000,000	2/23/2016
ABBV 1.800 05/14/18	3,000,000,000	5/14/2015
ABBV 2.500 05/14/20 '20	3,750,000,000	5/14/2015
ABBV 2.900 11/06/22	3,070,500,000	8/5/2013
ABBV 3.600 05/14/25 '25	3,750,000,000	5/14/2015
ABT 2.350 11/22/19	2,850,000,000	11/22/2016
ABT 2.900 11/30/21 '21	2,850,000,000	11/22/2016
ABT 3.750 11/30/26 '26	3,000,000,000	11/22/2016
ABT 4.900 11/30/46 '46	3,250,000,000	11/22/2016
AGN 3.000 03/12/20 '20	3,500,000,000	3/12/2015
AGN 3.450 03/15/22 '22	3,000,000,000	3/12/2015
AGN 3.800 03/15/25 '24	4,000,000,000	3/12/2015
AGN 4.550 03/15/35 '34	2,500,000,000	3/12/2015
AMGN 4.663 06/15/51 '50	3,541,381,000	1/10/2017
AVGO 2.375 01/15/20	2,748,774,000	2/14/2018
AVGO 3.000 01/15/22 '21	3,499,740,000	2/14/2018
AVGO 3.625 01/15/24 '23	2,499,960,000	2/14/2018
AVGO 3.875 01/15/27 '26	4,777,572,000	2/14/2018
BAC 3.300 01/11/23 MTN	4,250,000,000	1/11/2013
BAC 4.200 08/26/24 MTN	3,000,000,000	8/26/2014
BAC 5.650 05/01/18 MTN	4,000,000,000	5/2/2008
BAC 6.875 04/25/18 MTN	5,500,000,000	4/25/2008
BATS 4.450 06/12/25 '25	2,500,000,000	6/12/2015
BRK 3.125 03/15/26 '25	2,500,000,000	3/15/2016
C 2.650 10/26/20	2,700,000,000	10/26/2015
C 3.200 10/21/26 '26	3,000,000,000	10/21/2016
C 3.887 01/10/28 '27 FRN	2,750,000,000	1/10/2017
C 4.450 09/29/27	3,500,000,000	9/29/2015

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<b>Issue Description</b>	<b>Amount Outstanding</b>	<b>Issue Date</b>
CELG 3.875 08/15/25 '25	2,500,000,000	8/12/2015
COP 6.500 02/01/39	2,750,000,000	2/3/2009
CSCO 2.200 02/28/21	2,500,000,000	2/29/2016
CSCO 4.450 01/15/20	2,500,000,000	11/17/2009
CSGN 1.700 04/27/18 MTN	2,750,000,000	4/29/2015
CSGN 2.300 05/28/19 MTN	2,750,000,000	5/28/2014
CSGN 3.625 09/09/24 MTN	3,000,000,000	9/9/2014
CVS 2.800 07/20/20 '20	2,750,000,000	7/20/2015
CVS 3.875 07/20/25 '25	2,828,067,000	7/20/2015
CVS 5.125 07/20/45 '45	3,500,000,000	7/20/2015
GE 2.342 11/15/20	6,093,748,000	7/5/2016
GE 2.700 10/09/22	3,000,000,000	10/9/2012
GE 4.418 11/15/35	11,406,510,000	7/1/2016
GE 6.750 03/15/32 MTN	2,969,071,000	3/20/2002
GILD 3.650 03/01/26 '25	2,750,000,000	9/14/2015
GS 5.250 07/27/21	3,750,000,000	7/27/2011
GS 5.750 01/24/22	4,500,000,000	1/24/2012
GS 6.150 04/01/18	4,000,000,000	4/1/2008
GS 6.750 10/01/37	5,545,000,000	10/3/2007
GSK 5.650 05/15/18	2,750,000,000	5/13/2008
GSK 6.375 05/15/38	2,750,000,000	5/13/2008
HD 5.875 12/16/36	3,000,000,000	12/19/2006
HPE 2.850 10/05/18	2,526,889,000	12/23/2016
HPE 3.600 10/15/20 '20	2,997,450,000	12/23/2016
JPM 2.950 10/01/26 '26	3,000,000,000	7/21/2016
JPM 3.250 09/23/22	3,000,000,000	9/24/2012
JPM 3.875 09/10/24	3,000,000,000	9/10/2014
JPM 4.500 01/24/22	3,250,000,000	1/23/2012
KHC 4.375 06/01/46 '45	2,984,976,000	8/19/2016
MDT 2.500 03/15/20	2,500,000,000	8/31/2015
MDT 3.150 03/15/22	2,500,000,000	8/31/2015
MDT 3.500 03/15/25	4,000,000,000	8/31/2015
MDT 4.625 03/15/45	4,150,000,000	8/31/2015
MRKX 2.750 02/10/25 '24	2,500,000,000	2/10/2015
MS 2.625 11/17/21 MTN	3,250,000,000	11/17/2016
MS 2.750 05/19/22	3,250,000,000	5/19/2017
MS 3.772 01/24/29 '28 MTN	3,000,000,000	1/23/2018
MS 6.625 04/01/18 MTN	3,532,499,000	4/1/2008
MSFT 2.400 08/08/26 '26	4,000,000,000	8/8/2016
MSFT 3.300 02/06/27 '26	4,000,000,000	2/6/2017
MSFT 3.700 08/08/46 '46	4,500,000,000	8/8/2016
MSFT 4.250 02/06/47 '46	3,000,000,000	2/6/2017
ORCL 1.900 09/15/21 '21	4,250,000,000	7/7/2016
ORCL 2.650 07/15/26 '26	3,000,000,000	7/7/2016
ORCL 3.250 11/15/27 '27	2,750,000,000	11/9/2017
ORCL 4.000 07/15/46 '46	3,000,000,000	7/7/2016
PCG 6.050 03/01/34	3,000,000,000	3/23/2004
PFE 7.200 03/15/39	2,500,000,000	3/24/2009
PM 5.650 05/16/18	2,500,000,000	5/16/2008

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	<b>Issue Description</b>	<b>Amount Outstanding</b>	<b>Issue Date</b>
T	3.400 05/15/25 '25	5,000,000,000	5/4/2015
T	3.900 08/14/27 '27	5,000,000,000	8/7/2017
T	4.900 08/14/37 '37	4,500,000,000	8/7/2017
T	5.150 02/14/50 '49	5,000,000,000	8/7/2017
UBSN	2.375 08/14/19 MTN	2,500,000,000	8/14/2014
UTX	4.500 06/01/42	3,500,000,000	6/1/2012
V	2.200 12/14/20 '20	3,000,000,000	12/14/2015
V	3.150 12/14/25 '25	4,000,000,000	12/14/2015
V	4.300 12/14/45 '45	3,500,000,000	12/14/2015
VZ	4.522 09/15/48	5,000,000,000	8/20/2015
VZ	4.672 03/15/55	5,499,999,000	8/20/2015
VZ	5.012 08/21/54	5,500,001,000	3/11/2015
VZ	5.150 09/15/23	5,702,898,000	9/18/2013
WFC	2.100 07/26/21	3,000,000,000	7/25/2016
WFC	2.625 07/22/22 MTN	3,750,000,000	7/24/2017
WFC	3.000 04/22/26	3,500,000,000	4/22/2016
WFC	3.000 10/23/26	3,500,000,000	10/25/2016
XOM	2.222 03/01/21 '21	2,500,000,000	3/3/2016
XOM	3.043 03/01/26 '25	2,500,000,000	3/3/2016
XOM	4.114 03/01/46 '45	2,500,000,000	3/3/2016

## 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 replace the index's current methodology with the proposed methodology described above?**
- 2. 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. S&P DJI will make responses to consultations freely available upon request.<sup>1</sup> If you do not want your response to be made available, you must clearly state that in your response. Please respond to this survey by **April 25, 2018**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI will consider the issues and may request clarifications from respondents as part of that review. Alternative options to the proposed questions after the deadline require that the consultation be re-opened to the public.

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 [index\\_services@spglobal.com](mailto:index_services@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 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.*

<sup>1</sup> Individual and company names as well as contact details will be redacted.

## CONSULTATION

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).

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