

S&P Select Frontier Index Consultation – Updated

NEW YORK, AUGUST 5, 2019: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to the S&P Select Frontier Index.

In December 2018, S&P DJI announced the reclassification of Kuwait from frontier to emerging market status effective prior to the market open on September 23, 2019.¹ In order to allow for an expanded universe of potential candidates for index addition due to this impending reclassification, S&P DJI is proposing to relax the liquidity thresholds and country constituent count limit used in constructing the index. The table below summarizes the proposed changes.

Proposed Changes	Methodology	
	Current	Proposed
Liquidity	All index constituents must have a minimum median daily value traded of at least US\$ 1 million for the preceding three months, as of the rebalancing reference date. Current constituents with a three-month median daily value traded of at least US\$ 750,000 remain eligible for index inclusion.	All index constituents must have a minimum median daily value traded of at least US\$ 750,000 for the preceding three months, as of the rebalancing reference date. Current constituents with a three-month median daily value traded of at least US\$ 500,000 remain eligible for index inclusion.
Constituent Weightings	At each rebalancing, modifications are made to float-adjusted market capitalization weights to meet the following criteria: <ul style="list-style-type: none"> No stock can have a weight of more than 8% in the index. No country can have more than eight constituents or a weight of more than 30% in the index. The minimum initial portfolio size that can be turned over in a single day (based on recent trading volumes) cannot be lower than US\$ 100 million. 	At each rebalancing, modifications are made to float-adjusted market capitalization weights to meet the following criteria: <ul style="list-style-type: none"> No stock can have a weight of more than 8% in the index. No country can have more than 12 constituents or a weight of more than 30% in the index. The minimum initial portfolio size that can be turned over in a single day (based on recent trading volumes) cannot be lower than US\$ 100 million.

IMPACT ANALYSIS

Using data from the April 2019 rebalancing, the table below shows the index’s actual turnover as well as the hypothetical turnover that would have occurred had the proposed changes been applied to that rebalancing.

Index	Actual Turnover ²	Hypothetical Turnover
S&P Select Frontier Index	13.71%	38.19%

¹ For further details, please refer to S&P DJI’s 2018 Country Classification Consultation Results available [here](#).

² At the April 2019 rebalancing, the index committee used discretion to omit new additions of Kuwaiti stocks due to the impending reclassification of Kuwait. As part of the index committee discretion, the proposed liquidity thresholds detailed above were applied.

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, prior to the market open on Friday, November 1, 2019, in conjunction with the semi-annual reconstitution of the index.

QUESTIONS

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

- 1. Do you agree with the proposed change to relax the liquidity thresholds?**
- 2. Do you agree with the proposed change to relax the country constituent count limit?**
- 3. If you answered No in Question 2, do you agree with reducing the total count of companies in the index (e.g. from 40 to 30 companies)?**
- 4. Should the proposed changes be adopted, do you prefer a one-time expanded pro-forma period of 10 business days instead of the usual period of five business days?**
- 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. S&P DJI will make responses to consultations freely available upon request.³ 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 **October 1, 2019**. 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.

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.

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

³ Individual and company names as well as contact details will be redacted.

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[®] and the Dow Jones Industrial Average[®]. 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.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit www.spdji.com.

FOR MORE INFORMATION:

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