

## S&P/BMV Dividend Index Consultation

**MEXICO CITY, AUGUST 6, 2020:** S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the S&P/BMV Dividend Index.

### Rebalancing Effective Date

S&P DJI is considering modifying the index’s rebalancing effective date in order to align it with the quarterly dividend review outlined in the index methodology.

Rebalancing Effective Date	
Current	Index composition is reconstituted annually, effective after the market close on the <b>third Friday of March</b> . The rebalancing reference date is the last business day of January. In addition, the index is reweighted quarterly outside of the annual rebalancing, effective after the market close on the <b>third Friday of June, September and December</b> . Index shares are calculated using closing prices seven business days prior to the rebalancing effective date.
Proposed	Index composition is reconstituted annually, effective after the market close on the <b>last business day of March</b> . The rebalancing reference date is the last business day of January. In addition, the index is reweighted quarterly outside of the annual rebalancing, effective after the market close on the <b>last business day of June, September and December</b> . Index shares are calculated using closing prices seven business days prior to the rebalancing effective date.

### Dividend Payment Types

S&P DJI is considering modifying the index’s dividend yield factor calculation in order to align it with other S&P DJI global dividend indices.

Dividend Payment Types	
Current	Dividend types included in the calculation are regular cash dividends, special dividends, and stock dividends.
Proposed	S&P DJI <b>only considers cash dividend payments declared as regular</b> by the paying company for index eligibility, selection, and weighting purposes. Cash dividend payments declared as special by the paying company, including recurring special cash dividends, are not considered. For both eligibility and weighting purposes, annualized cash dividend amounts, before withholding tax, are used.

### Rebalancing Selection

S&P DJI is seeking market feedback on whether the number of index constituents should remain fixed. Under the current methodology, the 20 stocks with the highest joint rating are selected and form the index. Currently there are no criteria to address situations where the number of eligible stocks is less than the targeted constituent count of 20. S&P DJI is therefore considering modifying the rebalancing selection process as described in the table on the following page.

Rebalancing Selection	
Current	<p><b>Selection Universe.</b> All stocks in the Index Universe that satisfy the following criteria as of the rebalancing reference date are selected and form the Selection Universe:</p> <ul style="list-style-type: none"> <li>• <b>Trading History.</b> Stock must have a trading history of at least three months.</li> <li>• <b>Dividend Payments.</b> For a given stock, dividends must have been paid for at least four years in the prior five-year period. Companies are excluded if they eliminate their latest scheduled dividend payment or cancel their subsequent scheduled dividend.</li> <li>• <b>Marketability Score.</b> A stock must have a Marketability Score.</li> </ul> <p><b>Constituent Selection.</b> All stocks in the Selection Universe are ranked based on Turnover Factor, Marketability Factor, and Dividend Yield Factor. A joint rating is then calculated for each of the stocks in the Selection Universe by multiplying the three independent factors previously calculated by the following weight allocations:</p> <ul style="list-style-type: none"> <li>• Turnover Factor: 5%</li> <li>• Marketability Factor: 25%</li> <li>• Dividend Yield: 70%</li> </ul> <p>The sum of the resulting weighted factors is the joint rating for each stock. The 20 stocks with the highest joint rating are selected and form the index. In cases where two or more stocks have the same joint rating, the stock with the highest float-adjusted market capitalization is selected.</p>
Proposed	<p><b>Selection Universe.</b> All stocks in the Index Universe that satisfy the following criteria as of the rebalancing reference date are selected and form the Selection Universe:</p> <ul style="list-style-type: none"> <li>• <b>Trading History.</b> Stock must have a trading history of at least three months.</li> <li>• <b>Dividend Yield.</b> Stocks must have a dividend yield.</li> <li>• <b>Dividend Payments.</b> All stocks in the Index Universe must currently be paying dividends: <ul style="list-style-type: none"> <li>○ Companies are excluded if they eliminate their latest scheduled dividend payment or cancel their subsequent scheduled dividend.</li> <li>○ Companies that have not paid a dividend in the trailing 12-month period, but have publicly announced they will pay dividends for the upcoming year, are eligible.</li> </ul> </li> </ul> <p><b>Constituent Selection.</b> All stocks in the Index Universe that satisfy the Selection Universe criteria are selected for inclusion in the index.</p>

## Rebalancing Weighting Criteria

Concurrent with the proposed rebalancing selection change detailed above, S&P DJI is considering modifying the index's rebalancing weighting criteria. The table below summarizes the proposed change.

Rebalancing Weighting Criteria	
Current	<p>The index is weighted based on each stock's five-year average income, defined as the <b>five-year rolling average of the annual dividend amount</b> per share multiplied by the shares outstanding and by the float factor, subject to the following constraints:</p> <ul style="list-style-type: none"> <li>• No stock's weight exceeding 10%.</li> <li>• The annual dividend per share figure includes regular cash dividends, special dividends, and stock dividends.</li> </ul>
Proposed	<p>The index is weighted based on each stock's income, defined as the <b>most recent calendar year annual dividend amount per share</b> multiplied by the shares outstanding and by the float factor, subject to no stock's weight exceeding 10%.</p>

For more information on the S&P/BMV Dividend Index, please refer to the S&P/BMV Indices Methodology available [here](#).

## IMPACT ANALYSIS

Using data as of January 31, 2020, the table below shows the constituent count and one-way turnover that would have resulted from a hypothetical rebalancing in March 2020, using the current methodology as well as the proposed methodology options previously detailed.

Scenarios	Eligible Universe Count	Constituent Count	One-Way Turnover
Current Methodology	32	20	13.21%
Proposed Scenario (Dividend Payment Types only)	31	20	20.83%
Proposed Scenario (Dividend Payment Type + Rebalancing Selection)	33	33	17.92%
Proposed Scenario (Dividend Payment Type + Rebalancing Selection + Rebalancing Weighting Criteria)	33	33	19.18%

Using data as of May 29, 2020, the table below shows the constituent count and one-way turnover that would have resulted using the current methodology as well as the proposed scenarios for the previous annual index rebalancing in June 2020. This table takes into account the recently announced dividend payment cancellations in the market.

Scenarios	Eligible Universe Count	Constituent Count	One-Way Turnover
Current Methodology	21	20	19.12%
Proposed Scenario (Dividend Payment Type only)	21	20	19.37%
Proposed Scenario (Dividend Payment Type + Rebalancing Selection)	22	22	19.43%
Proposed Scenario (Dividend Payment Type + Rebalancing Selection + Rebalancing Weighting Criteria)	22	22	20.64%

Please note that the proposed change to the rebalancing effective date would result in no constituent count or one-way turnover changes for any of the above scenarios.

## IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, in conjunction with the upcoming September quarterly reweight.

## 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 modify the Rebalancing Effective Date?**
  - Yes, change as proposed by S&P DJI.
  - No, keep the current methodology.
- 2. Do you agree with the proposal to modify the Dividend Payment Types for Dividend Yield Factor calculation?**
  - Yes, change as proposed by S&P DJI.
  - No, keep the current methodology.
- 3. Do you agree with the proposal to modify the Rebalancing Selection?**
  - Yes, change as proposed by S&P DJI.
  - No, keep the current methodology.

## CONSULTATION

4. Do you agree with the proposal to modify the Rebalancing Weighting Criteria?
  - Yes, change as proposed by S&P DJI.
  - No, keep the current methodology.
5. Should the number of constituents be allowed to float in order to include only those stocks that are currently paying dividends?
  - Yes, the number of constituents should be allowed to float.
  - No, keep the number of constituents fixed.
6. If you answered “No” in Question 5 and the constituent count remains fixed, should the current fixed count of 20 remain applicable?
  - Yes, keep the current fixed target count of 20 constituents.
  - No, change to a different fixed count option (please specify in Question 9 below).
7. If you answered “Yes” in Question 6 and the index maintains a target count of 20 constituents, should a minimum constituent count of 15 be established in case the number of eligible stocks is less than 20?
  - Yes, keep the target count at 20, but establish a minimum count of 15.
  - No, keep the target count at 20, but establish a different minimum count (please specify in Question 9 below).
  - No, keep the target count at 20.
8. Should any of the proposed methodology changes be adopted, do you agree with the proposed implementation date?
9. 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 **August 31, 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 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.

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](http://www.spdji.com).

### **FOR MORE INFORMATION:**

**S&P Dow Jones Indices**  
[index\\_services@spglobal.com](mailto:index_services@spglobal.com)