S&P UK / Euro High Yield Dividend Aristocrats Consultation on Constituent Weighting and Liquidity Screening Results – Updated¹


Liquidity Screen

In order to apply a more rigorous liquidity screen and diminish the effect of random spikes and outliers on the liquidity measure, as well as align the methodology with other S&P DJI indices, S&P DJI will change the liquidity screen so that it utilizes three-month median daily value traded (“MDVT”) instead of three-month average daily value traded (“ADVT”) for constituent selection in both indices. The table below summarizes the change.

<table>
<thead>
<tr>
<th>Changes</th>
<th>Previous</th>
<th>Methodology</th>
<th>Updated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity Screen</td>
<td>To qualify for index inclusion, a stock must have an ADVT of at least US$ 5 million (US$ 4 million for current constituents) for the three-months prior to the rebalancing reference date.</td>
<td>To qualify for index inclusion, a stock must have a MDVT of at least US$ 5 million (US$ 4 million for current constituents) for the three-months prior to the rebalancing reference date.</td>
<td></td>
</tr>
</tbody>
</table>

Constituent Weighting

In an effort to reduce constituent concentration, ease liquidity limitations, and improve index replication, S&P DJI will modify the constituent weighting scheme of the S&P Euro High Yield Dividend Aristocrats by introducing liquidity weight multiple capping. Under the updated methodology, a constituent’s weight will be restricted to the lower of 5% or five times its liquidity weight. Liquidity is based on the security’s three-month MDVT. The table on the following page summarizes the change.

¹ Updated September 15, 2020 to clarify that the liquidity measure used in the liquidity weight capping for the S&P Euro High Yield Dividend Aristocrats Index is based on the security’s three-month MDVT, rather than six-month MDVT.
No changes to the constituent weighting scheme of the S&P UK High Yield Dividend Aristocrats will be made at this time. However, the Index Committee will continue to monitor the index’s liquidity metrics and may consider changes if conditions warrant.

These changes will be implemented in conjunction with the upcoming rebalancing, which takes effect prior to the market open on Monday, September 21, 2020.

Please note the S&P UK / Euro High Yield Dividend Aristocrats Methodology on S&P DJI’s website is being updated to reflect these changes.

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