

## **S&P U.S. IPO and Spin-Off and S&P U.S. Spin-Off Indices Consultation on Constituent Weightings Results**

**NEW YORK, OCTOBER 29, 2020:** S&P Dow Jones Indices (“S&P DJI”) has conducted a consultation with market participants on a potential change to the S&P U.S. IPO and Spin-Off and S&P U.S. Spin-Off Indices.

With the aim of satisfying regulatory and product listing requirements, S&P DJI is modifying the indices’ constituent weight capping rules. The table below summarizes the change.

<b>Constituent Weightings</b>	
Previous	<p>Constituents are float-adjusted market capitalization (“FMC”) weighted, subject to a single company cap of 7.5%. At each monthly rebalancing, if a company’s weight in the index exceeds 7.5%, its weight is reduced to 7.5% and the weights of the remaining stocks are increased proportionally to their FMC weightings. This process proceeds iteratively until no stock breaches the 7.5% cap.</p> <p>Companies with multiple share class lines in the index have all share class weights combined and analyzed together as one entity. If the combined weight exceeds 7.5%, the weight of each share class line is reduced proportionally so that the combined weight is reduced to 7.5%.</p> <p>If the company count is less than 14 at a monthly rebalancing, the 7.5% weight cap cannot be satisfied. In such cases, all companies will be equally weighted at the monthly rebalancing.</p>
Updated	<p>For a given rebalancing date, all companies eligible for inclusion are FMC weighted. This is done using an optimization procedure that chooses final weights in such a way as to minimize the sum of the squared differences of capped weight and uncapped weight, divided by uncapped weight for each stock, subject to the following constraints: The maximum weight of each company is 7.5%, and the aggregate weight of companies with weights greater than 4.5% cannot exceed 45%.</p> <p>Companies with multiple share class lines in the index have all share class weights combined and analyzed together as one entity.</p> <p>At times, an index’s company count may require the capping rules to be relaxed.<sup>1</sup></p>

In addition, S&P will modify the indices’ spin-off treatment in order to help reduce turnover between monthly rebalancings. The table below summarizes the change.

<b>Spin-Offs</b>	
Previous	The spun-off company is added to the index at a zero price and will be dropped from the index after the first day of regular way trading provided the drop event has been announced at least two days prior to the drop date.
Updated	The spun-off company is added to the index at a zero price at the market close of the day before the ex-date (with no divisor adjustment) and will be evaluated for continued index inclusion at the subsequent monthly rebalancing.

The constituent weightings change will be implemented in conjunction with the November 2020 monthly rebalancing, which takes effect prior to the market open on Monday, November 23, 2020. The change to spin-off treatment will be implemented and take effect prior to the market open on Monday, November 2, 2020.

<sup>1</sup> Please refer to the appendix of this document for an overview of the process followed, when necessary.

Please note the S&P U.S. IPO and Spin-Off Index Methodology and S&P U.S. Spin-Off Index Methodology are being updated to reflect these changes.

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

**APPENDIX**

**Relaxation of Constituent Weightings Capping Rules.** At times, an index’s company count may require the capping rules to be relaxed. The table below provides an overview of the process followed, when necessary. Each subsequent row is a relaxation of the previous row’s weight caps.

<b>Number of Companies</b>	<b>Single Company Weight Cap</b>	<b>Threshold for Aggregate Company Weight Capping</b>	<b>Aggregate Company Weight Cap</b>
17-18	7.50%	5.00%	45.00%
15-16	10.00%	5.00%	50.00%
13-14	12.50%	5.00%	60.00%
12	12.50%	6.00%	60.00%
11	12.50%	7.00%	60.00%
10	12.50%	8.00%	60.00%
9	12.50%	10.00%	60.00%
8	15.00%	10.00%	60.00%
7	15.00%	12.50%	75.00%
6	17.50%	15.00%	75.00%
5	22.50%	17.50%	75.00%
4	30.00%	22.50%	75.00%
3	37.50%	25.00%	75.00%

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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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