

S&P/NZX 50 High Dividend Index Consultation on the Index Objective, Eligibility Criteria, and Index Construction

SYDNEY, DECEMBER 04, 2020: 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/NZX 50 High Dividend Index.

In order to better focus the index objective on dividend yield and minimize turnover within the index, S&P DJI is considering modifying the index’s objective, eligibility criteria, and constituent selection process.

Since the index universe (the S&P/NZX 50) already incorporates a liquidity screen as part of its eligibility criteria, S&P DJI proposes removing the S&P/NZX 50 High Dividend Index’s liquidity screen, which would result in changes to the index objective and constituent selection process. In addition, S&P DJI proposes to add a selection buffer to further limit turnover by favoring current constituents to remain in the index.

Finally, S&P DJI is proposing to change the eligibility criteria to ensure that potential index constituents have not suspended, canceled, or omitted their most recent dividend payment. The tables below summarize the proposed changes.

Proposed Changes	Methodology	
	Current	Proposed
Index Objective	The S&P/NZX 50 High Dividend Index measures the performance of the 25 companies with the highest dividend yields and liquidity within the S&P/NZX 50 Index. Constituents are weighted by the products of their dividend yield and float-adjusted market capitalization, subject to a single stock cap of 10%.	The S&P/NZX 50 High Dividend Index measures the performance of the 25 companies with the highest dividend yields within the S&P/NZX 50 Index . Constituents are weighted by the products of their dividend yield and float-adjusted market capitalization, subject to a single stock cap of 10%.
Eligibility Criteria	To qualify for membership in the index, a company must satisfy the following criteria: <ol style="list-style-type: none"> 1. Be a current member of the S&P/NZX 50 Index. 2. Have paid dividends in the past 12 months. 	To qualify for membership in the index, a company must satisfy the following criteria: <ol style="list-style-type: none"> 1. Be a current member of the S&P/NZX 50 Index. 2. Have paid dividends in the past 12 months and not suspended, cancelled or omitted their most recent dividend payment.
Index Construction: Constituent Selection	The six-month average daily value traded (ADVT), as of the rebalancing reference date, is obtained for all dividend paying constituent companies of the S&P/NZX 50 Index. The 30 companies with the highest six-month ADVT are selected. There is a five stock ADVT buffer for current constituents; those that rank among the top 35 companies with the highest six-month ADVT will also progress to the next step of the constituent selection process.	--

Proposed Change	Methodology	
	Current	Proposed
Index Construction: Constituent Selection	<p>The trailing 12-month gross dividend yield is calculated by dividing the company's trailing 12-month gross dividend (including any attached imputation credits) by its price on the reference date. Only regular cash dividends are included in the computation of dividend yield.</p> <p>The 25 companies with the highest trailing 12-month gross dividend yield form the index.</p>	<p>The trailing 12-month gross dividend yield is calculated by dividing the company's trailing 12-month gross dividend (including any attached imputation credits) by its price on the reference date. Only regular cash dividends are included in the computation of dividend yield.</p> <p>The top 25 companies with the highest trailing 12-month gross dividend yield form the index, subject to a selection buffer, implemented as follows:</p> <ol style="list-style-type: none"> 1) The eligible companies in the index universe are ranked, in descending order, by highest trailing 12-month gross dividend yield. 2) The 20 highest-ranking companies are selected for index inclusion. 3) Current constituents ranked within the top 30 are selected, in descending order, until the constituent count reaches 25. 4) If, after steps 1-2, the constituent count has not been met, the highest ranked company remaining is selected until the target constituent count is achieved.

Please refer to the [S&P/NZX 50 High Dividend Index Methodology](#) for more information on the index.

IMPACT ANALYSIS

Using data from the last three semi-annual rebalancings, the table below shows the one-way turnover, post-rebalancing yield, and maximum days to trade under the current methodology, compared to the index having applied the proposed methodology changes.

Rebalancing	Actual Methodology	Proposed Methodology
One-Way Turnover		
Jul-19	9.68%	30.35%
Jan-20	13.68%	5.14%
Jul-20	27.15%	37.92%
Post-Rebalancing Yield		
Jul-19	6.25%	7.25%
Jan-20	6.33%	7.45%
Jul-20	5.02%	5.36%
Maximum Days to Trade (based on a hypothetical fund AUM of NZ\$ 100 million)		
Jul-19	3.46	4.03
Jan-20	5.7	1.87
Jul-20	3.32	3.5

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the proposed changes, if adopted, in conjunction with the semi-annual rebalancing, effective prior to the market open on Monday, January 18, 2021.

CONSULTATION

QUESTIONS

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

1. **Do you agree with the proposed changes to the eligibility criteria and index construction, and the resultant change to the index objective?**
2. **If any of the proposed changes are adopted, do you agree with the proposed implementation date?**
3. **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 externally available upon request.¹ 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 **December 23, 2020**. 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.

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.

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¹ Individual and company names as well as contact details will be redacted.