

# Dow Jones Select Dividend Indices Consultation on Constituent Weightings

**NEW YORK, OCTOBER 17, 2023:** S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the Dow Jones Asia/Pacific Select Dividend 50, Dow Jones Emerging Markets Select Dividend, and Dow Jones EPAC Select Dividend indices.

To improve liquidity and reduce turnover, S&P DJI is considering changes to the Constituent Weightings schemes for these indices. In addition, S&P DJI is also proposing an increase to the liquidity screen in the Index Universe criteria for the Dow Jones Emerging Markets Select Dividend Index. The table below summarizes the proposed changes.

Proposed Changes	Current	Methodology	Proposed
Constituent Weightings: Dow Jones EPAC Select Dividend Index	<p>The constituent weights for the index are determined annually using the following steps:</p> <ul style="list-style-type: none"> <li>• Calculate the IAD weight of each constituent within its respective country by dividing each company's IAD by the sum of all the IADs within that country.</li> <li>• Calculate the IAD yield weight of each country within the index by dividing the sum of all the yields within each country by the sum of all the yields in the Index.</li> <li>• Calculate the final constituent weight by multiplying the IAD weight of each constituent by its respective yield country weight.</li> </ul> <p>The IAD yield values used to calculate constituent weights are capped at 20%. The weights of individual securities are capped at the lower of 10% or five times the constituent's FMC weight within the index, using the FMC as of the last business day of February. The aggregate weight of constituents within each GICS sector and each country of domicile is capped at 30%.</p>	<p>The constituent weights for the index are determined annually based on tilted IAD yields. The tilted IAD yields are calculated by multiplying each constituent's IAD yield by the square root of its FMC. The IAD yield values used to calculate the tilted IAD yield weights are capped at 20%. The final constituent weights are subject to the below constraints:</p> <ol style="list-style-type: none"> <li>a) The weights of individual securities are capped at the lower of 10% or five times the constituent's FMC weight within the index, using the FMC as of the last business day of February.</li> <li>b) The aggregate weight of constituents within each GICS sector and each country of domicile is capped at 30%.</li> <li>c) <b>The aggregate weight of stocks with weights greater than 4.5% cannot exceed 22.5% of the index's total weight.</b></li> </ol> <p>The index is also reviewed daily based on each stock's index weight. Daily capping is performed when the aggregate weight of stocks in the index with a weight greater than 4.8% exceeds 24%. If the threshold is breached, the current stock weights are recapped to comply to the constraints A and C as stated above.</p> <p>Indicated yields and tilted yield weights are not recalculated if the capping thresholds are breached throughout the year.</p> <p>A freeze period on daily capping is implemented during annual rebalancing. The freeze period begins after the market close on the</p>	

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		<p>Wednesday prior to the second Friday of March and ends after the market close on the Monday following the third Friday of March.</p> <p>When daily capping is necessary, the changes are announced after the close of the business day on which the daily weight caps are exceeded, with the reference date after the close of that same business day, and the effective date of the changes two business days later.</p>
<p>Constituent Weightings: Dow Jones Emerging Markets Select Dividend Index</p>	<p>Constituent weightings are assigned annually based on IAD yield. No single country can represent more than 25% of the index.</p>	<p>Constituent weightings are assigned annually based on tilted IAD yields. The tilted IAD yields are calculated by multiplying each constituent's IAD yield by the square root of its FMC. <b>The IAD yield values used to calculate the tilted IAD yield weights are capped at 15%.</b> The final constituent weights are subject to the below constraints:</p> <ul style="list-style-type: none"> <li>a) <b>Individual securities are capped at 10%.</b></li> <li>b) Individual country weights are capped at 25%.</li> <li>c) <b>The aggregate weight of stocks with weights greater than 4.5% cannot exceed 22.5% of the index's total weight.</b></li> </ul> <p>The index is also reviewed daily based on each stock's index weight. Daily capping is performed when the aggregate weight of stocks in the index with a weight greater than 4.8% exceeds 24%. If the threshold is breached, the current stock weights are recapped to comply to the constraints A and C as stated above.</p> <p>Indicated yields and tilted yield weights are not recalculated if the capping thresholds are breached throughout the year.</p> <p>A freeze period on daily capping is implemented during annual rebalancing. The freeze period begins after the market close on the Wednesday prior to the second Friday of March and ends after the market close on the Monday following the third Friday of March.</p> <p>When daily capping is necessary, the changes are announced after the close of the business day on which the daily weight caps are exceeded, with the reference date after the close of that same business day, and the effective date of the changes two business days later.</p>

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Constituent Weightings: Dow Jones Asia/Pacific Select Dividend 50 Index	<p>Constituent weightings are assigned annually based on IAD yield. The dividend yield values used to calculate constituent weights are capped at 20%.</p> <ol style="list-style-type: none"> <li>1. With data reflected on the rebalancing reference date, each stock is weighted by IAD yield.</li> <li>2. If any stock's weight exceeds 10%, that stock's weight is capped at 10%.</li> <li>3. All excess weight is proportionally redistributed to all uncapped stocks within the index.</li> <li>4. After this redistribution, if the weight of any other stock(s) then breaches 10%, the process is repeated iteratively until no stocks breach the 10% weight cap.</li> <li>5. The aggregate weight stocks with weights greater than 4.5% cannot exceed 22.5% of the index's total weight.</li> <li>6. If the rule in Step 5 is breached, all stocks are ranked in descending order based on their weights and the stock with the lowest weight that causes the 22.5% limit breach is identified. The weight of this stock is then reduced to 4.5%.</li> <li>7. The excess weight is then proportionally redistributed to all stocks with weights of less than 4.5%. Any stock that receives excess weight cannot breach the 4.5% cap. This process is repeated iteratively until Step 5 is satisfied or until the weights of all stocks are greater than or equal to 4.5%.</li> <li>8. If the weights of all stocks are greater than or equal to 4.5% and the rule in Step 5 is still not satisfied, then the stock with the lowest weight that causes the 22.5% limit breach is identified. The weight of this stock is then reduced to 4.5%.</li> <li>9. This excess weight is then proportionally redistributed to all stocks with weights greater than 4.5%. Any stock that receives excess weight cannot breach the 10% stock cap.</li> </ol>	<p>Constituent weights are assigned annually based on tilted IAD yields. The tilted IAD yields are calculated by multiplying each constituent's IAD yield by the square root of its FMC. The IAD yield values used to calculate the tilted IAD yield weights are capped at 20%. The final constituent weights are subject to the below constraints:</p> <ol style="list-style-type: none"> <li>a) Individual securities are capped at 10%.</li> <li><b>b) Individual GICS Sector weights are capped at 30%.</b></li> <li>c) The aggregate weight of stocks with weights greater than 4.5% cannot exceed 22.5% of the index's total weight.<sup>1</sup></li> </ol> <p>The index is also reviewed daily based on each stock's index weight. Daily capping is performed when the aggregate weight of stocks in the index with a weight greater than 4.8% exceeds 24%. If the threshold is breached, the current stock weights are recapped to comply to the constraints A and C as stated above.</p> <p>Indicated yields and tilted yield weights are not recalculated if the capping thresholds are breached throughout the year.</p> <p>A freeze period on daily capping is implemented during annual rebalancing. The freeze period begins after the market close on the Wednesday prior to the second Friday of March and ends after the market close on the Monday following the third Friday of March.</p> <p>When daily capping is necessary, the changes are announced after the close of the business day on which the daily weight caps are exceeded, with the reference date after the close of that same business day, and the effective date of the changes two business days later.</p>

<sup>1</sup> For detailed annual capping process refer to the existing methodology [here](#)

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	<p>The index is also reviewed daily based on each stock's index weight. Daily capping is performed when the aggregate weight of stocks in the index with a weight greater than 4.8% exceeds 24%. If the threshold is breached, the current stock weights are recapped to the annual rebalancing weighting criteria (see Constituent Weightings above).</p> <p>Indicated yields and yield weights are not recalculated if the capping thresholds are breached throughout the year.</p>	
Liquidity Criteria: Dow Jones Emerging Markets Select Dividend Index	<p>Stocks must pass the following screens:</p> <ul style="list-style-type: none"> <li>• Minimum three-month ADVT of US\$ 2 million (US\$ 500,000 for current constituents).</li> </ul>	<p>Stocks must pass the following screens:</p> <ul style="list-style-type: none"> <li>• Minimum three-month ADVT of <b>US\$ 3 million (US\$ 1,500,000)</b> for current constituents).</li> </ul>

Please refer to the [Dow Jones Dividend Indices Methodology](#) for more information on the indices.

## IMPACT ANALYSIS

Using data from the previous five rebalances, an analysis of the hypothetical impact that would have occurred had the previously described proposed changes been applied at those rebalances can be found [here](#).

Note there is further impact the proposed changes would have on the Dow Jones Global Select Dividend Composite Index. Feedback on this will be evaluated separately in due course.

## IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, in conjunction with the upcoming rebalancing, which is effective after the close on **Monday, March 18, 2024**.

You may find additional data and analysis in our Client Resource Center [www.spglobal.com/spdji/en/client-services/](http://www.spglobal.com/spdji/en/client-services/) which may be updated from time to time throughout the consultation. Additional data and analysis may also be made available upon request.

## 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 the constituent weightings rule for the Dow Jones EPAC Select Dividend Index?
2. Do you agree with the proposed change to the constituent weightings rule for the Dow Jones Emerging Markets Select Dividend Index?

## CONSULTATION

3. Do you agree with the proposed change to the constituent weightings rule for the Dow Jones Asia/Pacific Select Dividend 50 Index?
4. Do you agree with the proposed change to the liquidity screening for the Dow Jones Emerging Markets Select Dividend Index?
5. If the proposed changes are adopted, do you agree with the proposed implementation date?
6. 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 **Friday, November 17, 2023**. 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](#).

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

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

## FOR MORE INFORMATION:

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