

Dow Jones Select Dividend Indices Consultation on Constituent Weightings – Results

NEW YORK, DECEMBER 21, 2023: S&P Dow Jones Indices (“S&P DJI”) has conducted 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 changing the Constituent Weightings schemes for these indices. In addition, S&P DJI is also making 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 changes.

Changes	Previous	Methodology Updated
<p>Constituent Weightings: Dow Jones EPAC Select Dividend Index</p>	<p>The constituent weights for the index are determined annually using the following steps:</p> <ul style="list-style-type: none"> • 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. • 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. • Calculate the final constituent weight by multiplying the IAD weight of each constituent by its respective yield country weight. <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"> 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. b) The aggregate weight of constituents within each GICS sector and each country of domicile is capped at 30%. c) The aggregate weight of stocks with weights greater than 4.5% cannot exceed 22.5% of the index’s total weight. <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, with weights of individual securities capped at 10% and the aggregate weight of stocks with individual weights greater than 4.5% capped at 22.5% of the index’s total weight.</p> <p>Indicated yields and tilted yield weights are not recalculated if the capping thresholds are breached throughout the year.</p>

		Methodology	
Changes	Previous	Updated	
		<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>	
<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. The IAD yield values used to calculate the tilted IAD yield weights are capped at 15%. The final constituent weights are subject to the below constraints:</p> <ul style="list-style-type: none"> a) Individual securities are capped at 10%. b) Individual country weights are capped at 25%. c) The aggregate weight of constituents within each GICS sector is capped at 30%.¹ d) The aggregate weight of stocks with weights greater than 4.5% cannot exceed 22.5% of the index's total weight. <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>	

¹ This constraint was not in original consultation proposal. It has no impact on the current index composition.

Changes	Methodology	
	Previous	Updated
		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.
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"> 1. With data reflected on the rebalancing reference date, each stock is weighted by IAD yield. 2. If any stock's weight exceeds 10%, that stock's weight is capped at 10%. 3. All excess weight is proportionally redistributed to all uncapped stocks within the index. 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. 5. The aggregate weight stocks with weights greater than 4.5% cannot exceed 22.5% of the index's total weight. 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%. 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%. 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. 	<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"> a) Individual securities are capped at 10%. b) Individual GICS Sector weights are capped at 30%. c) The aggregate weight of stocks with weights greater than 4.5% cannot exceed 22.5% of the index's total weight.² <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>

² For the detailed annual capping process, refer to the existing methodology [here](#)

		Methodology	
Changes	Previous	Updated	
	<p>The weight of this stock is then reduced to 4.5%.</p> <p>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.</p> <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"> • Minimum three-month ADVT of US\$ 2 million (US\$ 500,000 for current constituents). 	<p>Stocks must pass the following screens:</p> <ul style="list-style-type: none"> • Minimum three-month ADVT of US\$ 3 million (US\$ 1,500,000) for current constituents). 	

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

IMPLEMENTATION TIMING

S&P DJI will implement the previously described methodology changes in conjunction with the upcoming rebalancing, which is effective after the close on **Monday, March 18, 2024**. The changes will first be visible to clients in pro-forma files beginning on **Friday, March 1, 2024**.

For more information about S&P Dow Jones Indices, please visit 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.

INDEX ANNOUNCEMENT

FOR MORE INFORMATION:

S&P Dow Jones Indices

index_services@spglobal.com