

Dow Jones Internet Composite Index Consultation on Eligibility, Selection, and Weightings – Results

NEW YORK, MAY 29, 2024: S&P Dow Jones Indices (“S&P DJI”) has conducted a [consultation](#) with market participants on potential changes to the Dow Jones Internet Composite Index.

To enhance index liquidity and replicability, S&P DJI is implementing the following changes:

1. Update the index universe to the S&P Total Market Index (TMI); establish a minimum limit for the float-adjusted market capitalization (“FMC”) threshold and add a 20% buffer for current constituents; and add an eligibility criterion based on a company’s six-month median daily value traded (MDVT).
2. Change constituent selection to use six-month MDVT instead of three-month average share volume in the final ranking.
3. Simplify the index constituent weighting scheme.

Changes	Methodology	
	Previous	Updated
Eligibility Criteria	<p>All companies domiciled in the U.S., and trading on the New York Stock Exchange (NYSE), NYSE MKT, and Nasdaq, that meet the following criteria are eligible for index inclusion:</p> <ul style="list-style-type: none"> • generate at least 50% of its sales/revenues from the Internet. • have a minimum of three months’ trading history. • have a three-month average FMC of at least US\$ 100 million. 	<p>Index Universe. At each rebalancing, the index universe is all companies in the S&P Total Market Index (TMI).</p> <p>Index Eligibility. At each rebalancing, companies must satisfy the following criteria to be eligible:</p> <ul style="list-style-type: none"> • generate at least 50% of sales/revenues from the Internet. • have a minimum of three months’ trading history. • have an FMC of at least US\$ 1 billion (US\$ 800 million for current constituent companies). • have a minimum six-month median daily value traded (MDVT) of US\$ 5 million (US\$ 4 million for current constituent companies). For initial public offerings (IPOs) and Direct Public Offerings (DPOs), the minimum MDVT period is relaxed to three months. If more than three months is available, the full trading history is used.
Constituent Selection	<ol style="list-style-type: none"> 1. Eligible companies are ranked first by three-month average FMC, and then by three-month average share volume. 2. A final rank is calculated based on an equally weighted average of the FMC and volume rankings. 	<ol style="list-style-type: none"> 1. Eligible companies are ranked first by FMC, and then by six-month MDVT. 2. A final rank is calculated based on an equally weighted average of the FMC and MDVT rankings.
Constituent Weightings	<p>The index is FMC weighted, subject to a single company weight cap of 10% and the aggregate weight of companies with weights of 4.5% or more capped at 45%. At each rebalancing, the weight capping process is as follows:</p> <ol style="list-style-type: none"> 1. With data reflected on the rebalancing reference date, each company is FMC weighted. 	<p>The index is FMC weighted, subject to the following constraints, using an optimization procedure that chooses final weights in such a way as to minimize the sum of the squared difference of capped weight and uncapped weight, divided by uncapped weight for each stock:</p> <ul style="list-style-type: none"> • Single company weights are capped at 10%

		Methodology	
Changes	Previous		Updated
	<p>2. If either of the defined single company or concentration index weight limits are breached, the FMC of all components are calculated such that:</p> $W_r = W_{r-1} * \left(1 - \frac{1 - D_r}{1 + 0.01n}\right)$ <p>where:</p> <p>r = The company's FMC rank</p> <p>n = Iteration</p> <p>F_r = The FMC of the company at rank r</p> <p>W_r = The adjusted FMC of the company at rank r</p> <p>$D_r = F_r / F_{r-1}$</p> <p>$W_1 = F_1$</p> <p>This process repeats iteratively until the capping constraints are satisfied.</p>		<ul style="list-style-type: none"> The cumulative weight of all companies within the index with a weight greater than 4.5% cannot exceed 45%.

IMPLEMENTATION TIMING

S&P DJI is implementing the changes in conjunction with the upcoming rebalancing, which takes effect prior to the market open on **Monday, June 24, 2024**. These changes will first be visible to clients in pro-forma files beginning on **Friday, June 14, 2024**.

FUTURE CONSIDERATIONS

In addition to the changes, S&P DJI intends to publish an additional consultation on potential future changes regarding the index universe selection and current cluster counts. S&P DJI is considering using a classification system such as FactSet's Revere Business Industry Classification System (RBICS) and/or Global Industry Classification Standard (GICS®) to determine the index universe and a company's exposure to internet-based activities, as well as increasing and/or amending the counts for each sector within the composite index. S&P DJI will send details regarding further changes and impact analysis at a later date.

For more information about S&P Dow Jones Indices, please visit www.spglobal.com/spdji.

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