

# **S&P 500 Quality High Dividend Index *Methodology***

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# Introduction

## Index Objective and Highlights

The S&P 500 Quality High Dividend Index measures the performance of S&P 500 stocks that exhibit both high quality and high dividend yield characteristics. Index constituents are equal weighted, subject to a 25% sector weight cap, as defined by the Global Industry Classification Standard (GICS).

*For information on the S&P 500, please refer to the S&P U.S. Indices Methodology at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).*

## Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

Supporting Document	URL
S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology	<a href="#">Equity Indices Policies &amp; Practices</a>
S&P Dow Jones Indices' Index Mathematics Methodology	<a href="#">Index Mathematics Methodology</a>
S&P Dow Jones Indices' Global Industry Classification Standard (GICS) Methodology	<a href="#">GICS Methodology</a>

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

# Eligibility Criteria

## **Eligibility Factors**

As of the rebalancing reference date, a stock must be a member of the S&P 500 (the “Index Universe”) to qualify for membership in the index.

## **Multiple Share Classes**

Each company is represented once by the Designated Listing. For more information regarding the treatment of multiple share classes, please refer to Approach B within the Multiple Share Classes section of the S&P Dow Jones Indices’ Equity Indices Policies & Practices Methodology.

# Index Construction

## Constituent Selection

In the index universe, all companies are ranked based on dividend yield and quality score. A company is selected as a constituent if it meets both of the following criteria at each rebalancing reference date:

- Ranks within the top 200 of the index universe by quality score. If the underlying earnings per share (“EPS”) or book value per share (“BVPS”) for a given stock’s return on equity (“ROE”) is negative, the stock will be ineligible for index inclusion.
- Ranks within the top 200 of the index universe by indicated annual dividend yield.

At each rebalancing the index must consist of a minimum of 50 companies. If fewer than 50 companies are selected, the selection criteria are relaxed. Companies not already selected, and that rank within the top 250 of the index universe by both quality score and dividend yield, are generally selected in order of highest quality score until the index reaches the minimum count requirement. The quality score of each company is derived from its return-on-equity, accruals ratio, and financial leverage ratio.

*For additional details on computation of the quality scores, please refer to Appendices A and B of the S&P Quality Indices Methodology.*

## Constituent Weighting

At each rebalancing, constituents are equal weighted, subject to a single GICS sector weight cap of 25%.

After equally weighting the constituents, any sector’s weight that exceeds 25% of the total index weight is capped at 25%. Constituents within the capped sector are equal weighted, with any excess weight equally redistributed to all the companies of the uncapped sectors. This process repeats iteratively until no sector breaches the weight limit.

## Dividend Payment Types

S&P Dow Jones Indices only considers cash dividend payments (based on ex-date) declared as regular by the paying company for index eligibility and selection purposes. Cash dividend payments declared as special by the paying company, including recurring special cash dividends, are not considered. Dividend amounts are before application of withholding taxes.

For index eligibility, selection, and weighting purposes, S&P DJI only considers the fixed portion of the dividend distribution by U.S. companies with fixed plus variable dividend policies.

In situations where a dividend payment, or payments, deviates from the company’s standard dividend payment cycle, S&P Dow Jones Indices will, at its discretion, allocate payments to the appropriate year in order to take a full cycle into account.

S&P Dow Jones Indices will continue to monitor all stocks in the universe on best effort basis up until the initial announcement of the rebalance results. If a company has announced a change to its dividend policy any time prior to the rebalance results announcement and would no longer qualify for the index then S&P Dow Jones Indices may, at its discretion, exclude the company in conjunction with the rebalance.

## **Index Calculations**

The index is calculated by means of the divisor methodology used for all S&P Dow Jones Indices' equity indices.

*For more information on the index calculation methodology, please refer to the Equal Weighted Indices section of S&P Dow Jones Indices' Index Mathematics Methodology.*

# Index Maintenance

## Rebalancing

The index is rebalanced semi-annually, effective after the close of the third Friday of June and December. The fundamental data reference date is five weeks prior to the rebalancing effective date. The rebalancing reference date is after the close of the last business day of May and November, respectively. Stocks are equal weighted and assigned index shares using the closing prices as of five business days prior to the third Friday of the rebalancing month as the reference price. Since index shares are assigned based on prices prior to the rebalancing, the actual weight of each stock at the rebalancing will differ from the target equal weights due to market movements.

**Additions.** Except for spins-offs, there are no intra-rebalancing additions to the index.

**Deletions.** Constituents removed from the index between rebalancings due to corporate actions or delistings are not replaced until the following semi-annual rebalancing. Additionally, constituents removed from the universe index are removed from the index simultaneously.

## Monthly Dividend Review

Index constituents are reviewed on a monthly basis for ongoing eligibility. For more information regarding the monthly dividend review, please refer to Approach B in the Monthly Review for Ongoing Eligibility in Dividend Focused Indices section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

## Corporate Actions

**Spin-Offs.** 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. The weight of the dropped stock will be reinvested in the parent stock.

*For information on Corporate Actions, please refer to the Equal Weighted Indices section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

## Other Adjustments

In cases where there is no achievable market price for a stock being deleted, it can be removed at a zero or minimal price at the Index Committee's discretion, in recognition of the constraints faced by investors in trading bankrupt or suspended stocks.

At the discretion of S&P Dow Jones Indices, a company may be removed at a semi-annual rebalancing if S&P Dow Jones Indices determines the company has reduced its calendar year dividend amount and will no longer qualify for the index at the subsequent reconstitution.

## Currency of Calculation and Additional Index Return Series

The indices are calculated in U.S. dollars.

In addition to the indices detailed in this methodology, additional return series versions of the indices may be available, including, but not limited to: currency, currency hedged, decrement, fair value, inverse, leveraged, and risk control versions. For a list of available indices, please refer to the [S&P DJI Methodology & Regulatory Status Database](#).



*For information on the calculation of different types of indices, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.*

*For the inputs necessary to calculate certain types of indices, including decrement, dynamic hedged, fair value, and risk control indices, please refer to the Parameters documents available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).*

### **Base Date and History Availability**

Index history availability, base date, and base value are as follows:

<b>Index</b>	<b>Launch Date</b>	<b>First Value Date</b>	<b>Base Date</b>	<b>Base Value</b>
S&P 500 Quality High Dividend Index	04/23/2018	12/16/1994	12/16/1994	100

# Index Data

## Calculation Return Types

S&P Dow Jones Indices calculates multiple return types which vary based on the treatment of regular cash dividends. The classification of regular cash dividends is determined by S&P Dow Jones Indices.

- Price Return (PR) versions are calculated without adjustments for regular cash dividends.
- Gross Total Return (TR) versions reinvest regular cash dividends at the close on the ex-date without consideration for withholding taxes.
- Net Total Return (NTR) versions, if available, reinvest regular cash dividends at the close on the ex-date after the deduction of applicable withholding taxes.

In the event there are no regular cash dividends on the ex-date, the daily performance of all three indices will be identical.

For a complete list of indices available, please refer to the daily index levels file (“SDL”).

*For more information on the classification of regular versus special cash dividends as well as the tax rates used in the calculation of net return, please refer to S&P Dow Jones Indices’ Equity Indices Policies & Practices Methodology.*

*For more information on the calculation of return types, please refer to S&P Dow Jones Indices’ Index Mathematics Methodology.*

# Index Governance

## Index Committee

An S&P Dow Jones Indices Index Committee maintains the index. The Committee meets regularly. At each meeting, the Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

*For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

# Index Policy

## Announcements

All index constituents are evaluated daily for data needed to calculate index levels and returns. All events affecting the daily index calculation are typically announced in advance via the Index Corporate Events report (.SDE), delivered daily to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients.

All methodology changes are posted to the S&P Dow Jones Indices' Web site and announced via email to all clients. The latest available version is posted on the Web site at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).

*For more information, please refer to the Announcements section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

## Pro-forma Files

In addition to the corporate events file (.SDE), S&P Dow Jones Indices provides constituent pro-forma files each time the index rebalances. The pro-forma file is typically provided daily in advance of the rebalancing date and contains all constituents and their corresponding weights and index shares effective for the upcoming rebalancing.

*Please visit [www.spglobal.com/spdji](http://www.spglobal.com/spdji) for a complete schedule of rebalancing timelines and pro-forma delivery times.*

## Holiday Schedule

The indices are calculated all business days of the year when the equity market is open. The only days the indices are not calculated are on days when all exchanges where an index's constituents are listed are officially closed.

*A complete holiday schedule for the year is available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).*

## Rebalancing

The Index Committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

## Unexpected Exchange Closures

For information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

## Recalculation Policy

For information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

*For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

**Contact Information**

For any questions regarding an index, please contact: [index\\_services@spglobal.com](mailto:index_services@spglobal.com).

# Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at [www.spglobal.com/spdji](http://www.spglobal.com/spdji), major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

## Tickers

The table below lists headline indices covered by this document. All versions of the below indices that may exist are also covered by this document. Please refer to the [S&P DJI Methodology & Regulatory Status Database](#) for a complete list of indices covered by this document.

Index	Return Type	Bloomberg	RIC
S&P 500 Quality High Dividend Index	Price Return	SPXQHDUP	.SPXQHDUP
	Total Return	SPXQHDUT	.SPXQHDUT
	Net Total Return	SPXQHDUN	.SPXQHDUN

## Index Data

Daily constituent and index level data are available via subscription.

For product information, please contact S&P Dow Jones Indices, [www.spglobal.com/spdji/en/contact-us](http://www.spglobal.com/spdji/en/contact-us).

## Web site

For further information, please refer to S&P Dow Jones Indices' Web site at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).

# Appendix I

## Methodology Changes

Methodology changes since April 23, 2018, are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Constituent Selection	12/16/2022	<p>In the index universe, all companies are ranked based on dividend yield and quality score. A company is selected as a constituent if it meets both of the following criteria at each rebalancing reference date:</p> <ul style="list-style-type: none"> <li>• Ranks within the top 200 of the index universe by quality score.</li> <li>• Ranks within the top 200 of the index universe by indicated annual dividend yield.</li> </ul>	<p>In the index universe, all companies are ranked based on dividend yield and quality score. A company is selected as a constituent if it meets both of the following criteria at each rebalancing reference date:</p> <ul style="list-style-type: none"> <li>• Ranks within the top 200 of the index universe by quality score. If the underlying earnings per share ("EPS") or book value per share ("BVPS") for a given stock's return on equity ("ROE") is negative, the stock will be ineligible for index inclusion.</li> <li>• Ranks within the top 200 of the index universe by indicated annual dividend yield.</li> </ul>
Monthly Dividend Review	05/19/2020	The decision to remove an index constituent due to the monthly dividend review is based on information publicly announced by the company as of five business days prior to month-end.	The decision to remove an index constituent due to the monthly dividend review is based on information publicly announced by the company as of seven business days prior to month-end.

# Appendix II

## ESG Disclosures

EXPLANATION OF HOW ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY <sup>1</sup>		
1.	Name of the benchmark administrator.	S&P Dow Jones Indices LLC.
2.	Underlying asset class of the ESG benchmark. <sup>2</sup>	N/A
3.	Name of the S&P Dow Jones Indices benchmark or family of benchmarks.	<a href="#">S&amp;P DJI Equity Indices Benchmark Statement</a>
4.	Do any of the indices maintained by this methodology take into account ESG factors?	No
Appendix latest update:		January 2021
Appendix first publication:		January 2021

<sup>1</sup> The information contained in this Appendix is intended to meet the requirements of the European Union Commission Delegated Regulation (EU) 2020/1817 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the minimum content of the explanation of how environmental, social and governance factors are reflected in the benchmark methodology and the retained EU law in the UK [The Benchmarks (amendment and Transitional Provision) (EU Exit) Regulations 2019].

<sup>2</sup> The 'underlying assets' are defined in European Union Commission Delegated Regulation (EU) 2020/1816 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published.



# Disclaimer

## Performance Disclosure/Back-Tested Data

Where applicable, S&P Dow Jones Indices and its index-related affiliates (“S&P DJI”) defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index’s Launch Date are considered back-tested. S&P DJI defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company’s public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed “Date of introduction”) is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index’s public release date.

Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations.

Information presented prior to an index’s launch date is hypothetical back-tested performance, not actual performance, and is based on the index methodology in effect on the launch date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate certain ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using “Backward Data Assumption” (or pulling back) of ESG data for the calculation of back-tested historical performance. “Backward Data Assumption” is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as “product involvement”) were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on “Backward Data Assumption” please refer to the FAQ. The methodology and factsheets of any index that employs backward assumption in the back-tested history will explicitly state so. The methodology will include an Appendix with a table setting forth the specific

data points and relevant time period for which backward projected data was used. Index returns shown do not represent the results of actual trading of investable assets/securities. S&P DJI maintains the index and calculates the index levels and performance shown or discussed but does not manage any assets.

Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).

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