

**S&P Dow Jones  
Indices**

A Division of **S&P Global**

# **S&P International Preferred Stock Index *Methodology***

February 2021

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# Introduction

## Index Objective

The S&P International Preferred Stock Index measures the performance of preferred stocks in developed markets outside the U.S. that meet specific criteria for minimum size, liquidity, exchange listing, time to maturity, and issue type. The index is market capitalization weighted, subject to the concentration limits defined in *Index Construction*.

## 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>

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

Preferred stocks must meet the following criteria, as of the rebalancing reference date, in order to be eligible for index inclusion:

**Exchange Listing.** Preferred stocks must trade on non-U.S. developed market exchanges, as defined by S&P Dow Jones Indices. Emerging market issues and listings are ineligible.

**Type of Issuance.** Preferred stocks issued by a company to meet its capital or financing requirements are eligible. These include floating and fixed rate preferreds, cumulative and non-cumulative preferreds, and preferred stocks with a callable or conversion feature. However, the following are ineligible for index inclusion:

- Structured products and brand name products issued by financial institutions that are packaged securities linked to indices, baskets of stocks or another company's stock.
- Preferred-like securities from special ventures such as toll roads or dam operators, and issuer entities and/or preferred securities that are Special Purpose Vehicles.
- Trust preferred issues.

**Maturity or Conversion Schedule.** Non-constituent preferred stocks must not have a mandatory conversion or scheduled maturity within the next 12 months in order to be included. Preferred securities callable within the next 12 months, but not yet called by the issuer, are eligible.

**Market Capitalization.** Non-constituent preferred stocks must have a full market capitalization of at least US\$ 125 million (US\$ 100 million for current constituents).

**Volume.** A trading volume of at least 250,000 shares per month for the previous six months is required. Issues with fewer than six months of trading history are evaluated over the available period and may be included should size and available trading history infer the issue satisfies this requirement. Current constituents remain eligible for index inclusion if their trading volume is at least 100,000 shares per month on average over the previous six months. No issue is removed from the index solely for the violation of this requirement for 12 months following its addition effective date.

**Indicated Annual Dividend (IAD) Yield.** IAD yield must be between 1% and 20%.

# Index Construction

There are two steps in the creation of the index. The first is the selection of the index constituents; the second is the weighting of the constituents within the index.

## **Constituent Selection**

Preferred stocks that meet the eligibility factors detailed in *Eligibility Criteria* are selected and form the index.

## **Constituent Weightings**

The index employs a capped market capitalization weighting scheme. There are no limits on the number of lines of a single company's preferred stock. However, at each rebalancing, a maximum weight of 10% is set per issuer with an individual stock cap of 4%. In addition, the weight of preferred stocks with trading volumes of less than 250,000 shares per month on average over the previous six months must not exceed 25% of the index.

## **Index Calculations**

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

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

# Index Maintenance

## Rebalancing

The index is rebalanced quarterly, effective prior to the open of trading on the Monday following the third Friday of January, April, July, and October. The reference date for additions to and deletions from the index is five business days prior to the first Friday of the rebalancing month. Index shares are set using closing prices as of the trading date 12 business days prior to the rebalancing effective date.

Share changes for existing index constituents are implemented as part of the January and July index rebalancings.

**Additions.** Additions occur only at the quarterly rebalancings. There are no intra-quarter additions.

**Deletions.** A constituent is deleted intra-quarter if it is called or undergoes mandatory conversion or redemption.

## Corporate Actions

Corporate Action	Adjustment Made to the Index	Divisor Adjustment?
Shares called for cash or par value	If the issuer calls a constituent, it is removed from the index with five-day notice at the closing price of the date at which it is dropped. Note that the issuer may choose not to call, in which case no change is necessary.	Yes
Shares called for conversion or automatically converted	The constituent is removed from the index with five days' notice at the closing price of the date at which it is dropped. If the issuer chooses not to invoke the right to convert and conversion is not automatic, no change is necessary.	Yes
Delisting from primary exchange	The constituent is removed at the closing price of the delisting date (occasionally, a constituent may be removed at zero price).	Yes
Special cash distribution	The price of the stock making the special payment is reduced by the per share special payment amount after the close of trading on the day before the ex-date.	Yes
Rights offering on preferred share class	The price is adjusted to the Price of Parent shares minus (Price of Rights shares/Rights Ratio).	Yes
Preferred stock split	Index Shares are multiplied by and the price is divided by the split factor.	No
Partial call for cash or par value	On the redemption date, the constituent shares outstanding are reduced by the number of shares called and the constituent price is adjusted to the call price plus accrued interest.	Yes
Issuance of additional shares for the preferred share class in the index	None. Shares are revised semi-annually.	No

*For more information on the treatment of corporate actions, please see S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

## Currency of Calculation and Additional Index Return Series

The index is calculated in U.S. dollars.

Real-time spot exchange rates are provided by Refinitiv to convert the local market prices to 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.spdji.com](http://www.spdji.com).*

## Base Date and History Availability

Index history availability, base date, and base value are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P International Preferred Stock Index	08/23/2010	08/31/2009	08/31/2009	1000



# 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

S&P Dow Jones Indices' Global Strategy Index Committee maintains the index. All Committee members are full-time professional members of S&P Dow Jones Indices' staff. The Index Committee meets regularly. At each meeting, the Index Committee may review pending corporate actions that may affect index constituents, statistics comparing the composition of the index to the market, companies that are being considered as candidates for addition to the 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.

*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 beginning ten business days 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.spdji.com](http://www.spdji.com) for a complete schedule of rebalancing timelines and pro-forma delivery times.*

## Holiday Schedule

The index is calculated daily, throughout the calendar year. The only days the index is not calculated are on days when all exchanges where the index's constituents are listed are officially closed.

*A complete holiday schedule for the year is available on S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com).*

## 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 more 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 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.spdji.com](http://www.spdji.com), 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
S&P International Preferred Stock Index	Price Return	SPPRIUP
	Total Return	SPPRIUT
	Net Total Return	SPPRIUN

## Index Data

Daily constituent and index level data are available via subscription.

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

## Web site

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

# Appendix I

## Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Constituent Weighting	10/19/2018	The index employs a capped market capitalization weighting scheme. There are no limits on the number of lines of a single company's preferred stock. However, at each rebalancing, a maximum weight of 10% is set per issuer with an individual stock cap of 4%.	The index employs a capped market capitalization weighting scheme. There are no limits on the number of lines of a single company's preferred stock. However, at each rebalancing, a maximum weight of 10% is set per issuer with an individual stock cap of 4%. In addition, the weight of preferred stocks with trading volumes of less than 250,000 shares per month on average over the previous six months must not exceed 25% of the index.
Eligibility Criteria: Market Capitalization	07/21/2017	Preferred stocks must have a full market capitalization of at least US\$ 100 million. Current constituents with full market capitalization of at least US\$ 75 million remain eligible for continued index inclusion.	Preferred stocks must have a full market capitalization of at least US\$ 125 million. Current constituents with full market capitalization of at least US\$ 100 million remain eligible for continued index inclusion.
Exclusion Criteria: Market Capitalization	04/15/2016	Preferred stocks with total market capitalization of less than US\$ 100 million, as of the rebalancing reference date, are excluded from the index.	Preferred stocks with total market capitalization of less than US\$ 75 million, as of the rebalancing reference date, are excluded from the index.

# Appendix II

## EU Required ESG Disclosures

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

<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.

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