

**S&P Dow Jones
Indices**

A Division of **S&P Global**

**S&P Quality FCF High Dividend
Indices
*Methodology***

November 2025

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Introduction

Index Objective and Highlights

The S&P Quality FCF High Dividend Indices measure the dividend-yield-weighted performance of a target number of high dividend yielding companies within an underlying index that have paid dividends for a specified number of consecutive years while maintaining high free cash flow (FCF) margin and high FCF return on invested capital (ROIC).

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	Equity Indices Policies & Practices
S&P Dow Jones Indices' Index Mathematics Methodology	Index Mathematics Methodology
S&P Dow Jones Indices' Global Industry Classification Standard (GICS) Methodology	GICS Methodology

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

Index Universe

At each rebalancing, the index universe is all constituents of the respective underlying index described in the table below.

Index	Underlying Index
S&P 500 Quality FCF High Dividend Index	S&P 500

Eligibility Factors

As of each rebalancing reference date, stocks in the index universe must satisfy the following to be eligible for index inclusion:

- **GICS Classification:** not be classified in the following GICS categories:
 - Real Estate Sector (60)
 - Mortgage Real Estate Investment Trusts (REITs) (402040)
- **Dividend History:** have paid dividends for the past five consecutive years.
- **Multiple Share Classes and Dual-Listed Companies:** Each company is represented once by a designated listing. In the event multiple lines meet the eligibility criteria and have similar dividend yields, the S&P DJI Designated Listing is selected. For more information regarding the treatment of multiple share classes and dual listed companies, please refer to Approach C within the Certain Share Types and Designations section of the S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

Index Construction

Constituent Selection

At each rebalancing, select constituents according to the following process:

1. Rank the eligible constituents by the FCF Score (in descending order) and select the top 50% eligible constituents within each GICS Sector.
2. Rank the selected constituents in Step 1 by the LTM Dividend Yield (in descending order) and select the top 100 constituents.

The FCF Score is calculated using the z-scores of FCF margin and FCF ROIC. Please refer to Appendix A for the FCF margin and FCF ROIC ratio calculation details. Please refer to Appendix B for z-score and FCF Score calculation details.

Constituent Weightings

At each rebalancing, the indices weight constituents as follows:

S&P 500 Quality FCF High Dividend Index:

Weighting Method	Optimization Procedure	Maximum Stock Weight Constraint	Maximum GICS Sector Weight Constraint	Floored Stock Weight Constraint
Constituents are weighted by min(10%, LTM Dividend Yield), subject to security and sector constraints.	Final weights are chosen in a way as to minimize the sum of the squared differences of capped weight and uncapped weight, divided by uncapped weight for each stock.	4.5%	min(30%, Underlying Index GICS Sector Weight + 10%)	0.05%

Quarterly Weight Check

A quarterly weight check is applied after the close of the third Friday of January and July according to the following process:

1. The sum of the companies with weights greater than 4.8% cannot exceed 24% of the total index weight. These caps are set to allow for a buffer below the limit.
2. If the limit is breached, set the weight of companies greater than 4.5%, back to the capped weight.
3. Proportionally redistribute the excess weight from Step 2 to companies with an initial weight less than 4.5%, setting a 4.5% upper bound on the companies' index weight.

For more information on the capping thresholds, please refer to the Regulatory Capping Requirements section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

Index Calculations

The indices calculate using the divisor methodology used in all S&P Dow Jones Indices' equity indices.

Please refer to the Non-Market Capitalization Weighted section of S&P Dow Jones Indices' Index Mathematics Methodology for further details on index calculation.

Index Maintenance

Rebalancing

The indices rebalance semiannually after the close on the third Friday of April and October.

The fundamental data reference date is five weeks prior to the rebalancing date. The rebalancing reference dates are the last business days of March and September, respectively. Weights calculated as a result of the reference date data are implemented in the indices using closing prices as of the Wednesday prior to the second Friday of April and October.

The reweighting reference date is the Wednesday prior to the second Friday of January and July.

Additions and Deletions

Additions. Except for spin-offs, no additions are made to the index between rebalancings.

Deletions. Constituents removed from an underlying universe index are also removed from the index simultaneously.

Corporate Actions

Spin-offs. The spin-off is added to all the indices of which the parent is a constituent, at a zero price at the market close of the day before the ex-date (with no divisor adjustment). The spin-off is removed after at least one day of regular way trading (with a divisor adjustment).

For more information on Corporate Actions and Spin-Offs, please refer to the Non-Market Capitalization section of the S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

Currency of Calculation and Additional Index Return Series

WMR foreign exchange rates are taken daily at 4:00 PM London Time and used in the calculation of the indices. These mid-market fixings are calculated by WMR based on LSEG data and appear on LSEG pages.

In addition to the indices detailed in this methodology, additional return series versions of the indices may be available, including, but not limited to the following: 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.

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.

Base Dates and History Availability

Index history availability, base dates, and base values are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P 500 Quality FCF High Dividend Index	11/17/2025	04/20/2001	04/20/2001	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

The indices are maintained by an Index Committee. 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 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 in advance of the rebalancing date and contains all constituents as well as their corresponding weights and index shares effective for the upcoming rebalancing. Since index shares are assigned based on prices prior to the rebalancing, the actual weight of each stock at the rebalancing will differ from these weights due to market movements.

Please visit www.spglobal.com/spdji for a complete schedule of rebalancing timelines and pro-forma delivery times.

Holiday Schedule

The index calculates only on days when at least one of the index's underlying exchanges is open.

A complete holiday schedule for the year is available at 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 is 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 questions regarding an index, please contact: index_services@spglobal.com.

Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at 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 (Currency)	Return Type	BBG	RIC
S&P 500 Quality FCF High Dividend Index (USD)	Price Return	SPXQFDUP	.SPXQFDUP
	Total Return	SPXQFDUT	.SPXQFDUT
	Net Total Return	SPXQFDUN	.SPXQFDUN

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.

Web site

For further information, please refer to S&P Dow Jones Indices' Web site at www.spglobal.com/spdji.

Appendix A

Fundamental Ratios Calculation

The first step is to calculate, as of the rebalancing reference date, the two fundamental ratios below for each security in the index universe. They are defined as follows:

$$\text{FCF Margin} = \text{FCF} / \text{Revenue}$$

$$\text{FCF ROIC} = \text{FCF} / (\text{Total Debt} + \text{Total Equity})$$

where:

$$\text{FCF} = \text{Net Cash Flow from Operating Activities} - \text{Capital Expenditures}$$

However, for companies classified in the following GICS categories:

- Banks (4010)
- Insurance (4030)
- Specialized Finance (40201040)
- Asset Management & Custody Banks (40203010)
- Investment Banking & Brokerage (40203020)

The two fundamental ratios are defined as follows:

$$\text{FCF Margin} = \text{FCF} / \text{Revenue}$$

$$\text{FCF ROIC} = \text{FCF} / \text{Total Equity}$$

where:

$$\text{FCF} = \text{Net Cash Flow from Operating Activities} - \text{Changes in Net Working Capital} - \text{Capital Expenditures}$$

The second step is to calculate the five-year average for both FCF Margin and FCF ROIC¹. Where there is a missing value, the five-year average is calculated by taking a simple average of the remaining values.

Outlier Handling and Winsorization: Outlier fundamental ratios are winsorized to ensure that the average values used to calculate the overall component score are less distorted by extreme values. For a given fundamental variable, the values for all securities are first ranked in ascending order. Then, for securities that lie above the 97.5 percentile rank or below the 2.5 percentile rank, their value is set as equal to the value of the 97.5 percentile ranked or the 2.5 percentile ranked security, whichever is applicable.

Application of Fundamental Ratios: The FCF Score is based on the average of the z-scores of the five-year average of FCF Margin and the five-year average of FCF ROIC (see *Appendix B*).

¹ Note the five-year average FCF Return is not calculated for companies with negative equity in any of the past five years. These companies are assigned the lowest FCF Return z-score in the universe. For more information on the z-score calculation, please refer to *Appendix B*.

Appendix B

Z-score & FCF Score Calculation

Z-score Calculation. Calculating a z-score is a widely adopted method of standardizing a variable in order to combine it with other variables that may have a different scale or unit of measurement. After winsorizing the two fundamental ratios, the z-score for each of the two ratios for each security calculates using the mean and standard deviation of the relevant variable within each of the index universes.

In general, the z-score calculates as follows:

$$z_{\alpha} = \frac{(x_{\alpha} - \mu_{\alpha})}{\sigma_{\alpha}}$$

where:

z_{α} = Z-score for a given security

x_{α} = Winsorized variable for a given security

μ_{α} = Arithmetic mean of the winsorized variable in a given index universe, excluding any missing values

σ_{α} = Standard deviation of the winsorized variable in a given index universe

Average Z-score Calculation. For each security, the average z-score calculates by taking a simple average of the five-year average FCF Margin z-score and the five-year average FCF ROIC z-score. Where there is a missing value, the average z-score is equal to the available z-score. A security must have at least one z-score to be included in the index.

Outlier Handling and Winsorization. Outlier average z-scores are winsorized to ensure that the overall FCF scores are less distorted by extreme values. To do this, for a given average z-score, the values for all securities are first ranked in ascending order. Then, for securities that lie above 4 or below -4, the value is set as equal to 4 or -4, whichever is applicable.

FCF Score Calculation. Using the winsorized average z-scores, a FCF score calculates for each of the securities. For a given security, if the winsorized average z-score is above 0, then the FCF Score is the addition of 1 and the average z-score. On the other hand, if the winsorized average score is below 0, then the FCF Score is the result of the reciprocal of 1 subtracted by its average z-score.

If average Z > 0, FCF Score = 1 + Z

If average Z < 0, FCF Score = (1 / (1 - Z))

If average Z = 0, FCF Score = 1

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 by 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. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. 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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In addition, S&P Dow Jones Indices provides a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions, and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate, or otherwise address.

Some indices use the Global Industry Classification Standard (GICS®), which was developed by, and is the exclusive property and a trademark of, S&P Global and MSCI. Neither MSCI, S&P DJI nor any other party involved in making or compiling any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability, or fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P DJI, any of their affiliates or any third party involved in making or compiling any GICS classifications have any liability for any direct,

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S&P DJI ESG indices use ESG metrics and scores in the selection and/or weighting of index constituents. ESG scores or ratings seek to measure or evaluate a company's, or an asset's, performance with respect to environmental, social and corporate governance issues.

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