

The New GICS Real Estate Sector and S&P U.S. Benchmarks

Within the Global Industry Classification Standard (GICS), the real estate industry group will be elevated to the sector level, effective in the S&P U.S. Indices in September 2016, after the quarterly share rebalance of the S&P 500[®], S&P MidCap 400[®], and S&P SmallCap 600[®]. Real estate is currently part of the financials sector, and it will become the 11th GICS sector. All equity real estate investment trusts (REITs) and real estate management and development companies will shift into the newly formed sector, while mortgage REITs will remain in the financials sector. The addition of real estate as a GICS sector will raise its profile as a distinct market segment and make its performance more explicit for investors seeking to track it.

S&P 500

As of Feb. 29, 2016, there were 25 REITs and one real estate developing company in the S&P 500, with a market capitalization of USD 488 billion. Under the current GICS structure, financials is the second-largest sector. With the revised 2016 GICS definitions, real estate would be the ninth-largest sector in the S&P 500, accounting for 2.89% of the total market capitalization using pro forma data as of Feb. 29, 2016. Currently, there are no mortgage REITs in the S&P 500.

Exhibit 1: S&P 500 GICS Breakdown							
Current GICS Breakdown				Pro Forma GICS Breakdown			
Sector	Issues	Weight (%)	Market Capitalization (USD Million)	Sector	Issues	Weight (%)	Market Capitalization (USD Million)
Information Technology	68	20.40	3,452,580.19	Information Technology	68	20.40	3,452,580.19
Financials	89	15.57	2,635,521.50	Health Care	56	14.71	2,490,093.12
Health Care	56	14.71	2,490,093.12	Consumer Discretionary	86	12.93	2,188,901.82
Consumer Discretionary	86	12.93	2,188,901.82	Financials	63	12.68	2,146,757.04
Consumer Staples	38	10.70	1,811,652.82	Consumer Staples	38	10.70	1,811,652.82
Industrials	65	10.14	1,716,068.47	Industrials	65	10.14	1,716,068.47
Energy	41	6.60	1,116,430.66	Energy	41	6.60	1,116,430.66
Utilities	29	3.36	568,383.60	Utilities	29	3.36	568,383.60
Materials	27	2.81	475,151.89	Real Estate	26	2.89	488,764.46
Telecommunication Services	5	2.78	470,854.76	Materials	27	2.81	475,151.89
				Telecommunication Services	5	2.78	470,854.76

Source: S&P Dow Jones Indices LLC. Data as of Feb. 29, 2016. Past performance is no guarantee of future results. Table is provided for illustrative purposes and includes hypothetical historical performance. Please see the Performance Disclosures at the end of this document for more information on the inherent limitations associated with back-tested performance.

S&P MIDCAP 400

As of Feb. 29, 2016, there were 33 REITs and two real estate developing companies in the S&P MidCap 400, with a combined market capitalization of USD 141 billion, or 10.13% of the index. Under the current GICS structure, financials is the largest sector. On a pro forma basis, under the revised 2016 GICS definition, financials would rank as the third-largest GICS sector, at 15.10%, while real estate would be the fifth-largest sector, at 10.13% as of Feb. 29, 2016. Currently, there are no mortgage REIT companies in the S&P MidCap 400.

Exhibit 2: S&P MidCap 400 GICS Breakdown							
Current GICS Breakdown				Pro Forma GICS Breakdown			
Sector	Issues	Weight (%)	Market Capitalization (USD Million)	Sector	Issues	Weight (%)	Market Capitalization (USD Million)
Financials	94	25.24	351,387.20	Information Technology	70	16.74	233,079.73
Information Technology	70	16.74	233,079.73	Industrials	60	15.35	213,716.21
Industrials	60	15.35	213,716.21	Financials	59	15.10	210,283.62
Consumer Discretionary	61	13.68	190,420.15	Consumer Discretionary	61	13.68	190,420.15
Health Care	31	9.77	135,959.42	Real Estate	35	10.13	141,103.58
Materials	29	6.64	92,426.80	Health Care	31	9.77	135,959.42
Utilities	19	5.70	79,409.78	Materials	29	6.64	92,426.80
Consumer Staples	18	4.14	57,649.04	Utilities	19	5.70	79,409.78
Energy	17	2.56	35,700.71	Consumer Staples	18	4.14	57,649.04
Telecommunication Services	1	0.18	2,523.65	Energy	17	2.56	35,700.71
				Telecommunication Services	1	0.18	2,523.65

Source: S&P Dow Jones Indices LLC. Data as of Feb. 29, 2016. Past performance is no guarantee of future results. Table is provided for illustrative purposes and includes hypothetical historical performance. Please see the Performance Disclosures at the end of this document for more information on the inherent limitations associated with back-tested performance.

S&P SMALLCAP 600

Under the current GICS breakdown, financials is the largest sector, with a market capitalization of USD 136 billion, making up 23.52% of the S&P SmallCap 600. With the revised GICS breakdown, financials would become the third-largest sector, with a market capitalization of USD 91 billion and a weight of 15.78%, as of Feb. 29, 2016. As a GICS sector, real estate would have 33 names with a market capitalization of USD 44 billion, or 7.74% of the index. Capstead (CMO) is the only mortgage REIT in the S&P SmallCap 600 and will therefore remain in the financials sector if it is still in the parent index at the rebalancing date.

Exhibit 3: S&P SmallCap 600 GICS Breakdown							
Current GICS Breakdown				Pro Forma GICS Breakdown			
Sector	Issues	Weight (%)	Market Capitalization (USD Million)	Sector	Issues	Weight (%)	Market Capitalization (USD Million)
Financials	121	23.52	136,241.72	Information Technology	102	17.03	98,659.19
Information Technology	102	17.03	98,659.19	Industrials	99	16.87	97,744.66
Industrials	99	16.87	97,744.66	Financials	88	15.78	91,414.57
Consumer Discretionary	98	14.80	85,721.60	Consumer Discretionary	98	14.80	85,721.60
Health Care	75	12.69	73,528.18	Health Care	75	12.69	73,528.18
Utilities	11	4.73	27,387.62	Real Estate	33	7.74	44,827.15
Materials	38	4.42	25,609.53	Utilities	11	4.73	27,387.62
Consumer Staples	16	2.81	16,281.95	Materials	38	4.42	25,609.53
Energy	33	2.18	12,630.08	Consumer Staples	16	2.81	16,281.95
Telecommunication Services	8	0.95	5,501.10	Energy	33	2.18	12,630.08
				Telecommunication Services	8	0.95	5,501.10

Source: S&P Dow Jones Indices LLC. Data as of Feb. 29, 2016. Past performance is no guarantee of future results. Table is provided for illustrative purposes and includes hypothetical historical performance. Please see the Performance Disclosures at the end of this document for more information on the inherent limitations associated with back-tested performance.

SUMMARY

In recognition of real estate's growth as a distinct market segment and its unique business drivers, the GICS committee has elected to promote it from an industry group in the financials sector to its own economic sector. Real estate will be the 11th GICS sector. This change will be effective in the S&P U.S. Indices at the September 2016 share rebalance. The addition of real estate as a GICS sector will raise its profile and make its performance more explicit for investors seeking to track it.

PERFORMANCE DISCLOSURES

The S&P 500 Real Estate Select Sector was launched on August 17, 2015. All information for an index prior to its launch date is back-tested. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect on the launch date. Complete index methodology details are available at www.spdji.com. It is not possible to invest directly in an index.

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Past performance of the Index is not an indication of future results. Prospective application of the methodology used to construct the Index may not result in performance commensurate with the back-test returns shown. The back-test period does not necessarily correspond to the entire available history of the Index. Please refer to the methodology paper for the Index, available at www.spdji.com 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.

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