S&P High Yield Dividend Aristocrats Index Consultation – Extended

NEW YORK, AUGUST 13, 2019: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to the S&P High Yield Dividend Aristocrats Index.

In order to reduce single stock concentration risk and turnover during index rebalancing, S&P DJI is considering modifying the index’s constituent weightings and deletions rules by adding an additional weightings constraint and implementing a quarterly minimum float-adjusted market capitalization (“FMC”) eligibility screen. The table below summarizes the proposed changes.

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<thead>
<tr>
<th>Proposed Change</th>
<th>Current Methodology</th>
<th>Proposed Methodology</th>
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</thead>
</table>
| Constituent Weightings| At each quarterly rebalancing, stocks are weighted based on indicated annual dividend yield, subject to modifications made to stock weights, if required, to reduce single stock concentration and enhance index basket liquidity, as follows:  
  • No stock can have a weight of more than 4% in the index.  
  • The minimum initial portfolios size that can be turned over in a single day (based on recent trading volumes) cannot be lower than US$ 2 billion. | At each quarterly rebalancing, stocks are weighted based on indicated annual dividend yield, subject to modifications made to stock weights, if required, to reduce single stock concentration and enhance index basket liquidity, as follows:  
  • No stock can have a weight of more than 4% in the index or more than five times its FMC divided by the aggregate FMC of all index constituents.  
  • The minimum initial portfolios size that can be turned over in a single day (based on recent trading volumes) cannot be lower than US$ 2 billion. |
| Deletions             | Constituents removed from the qualifying universe between annual reconstitutions are removed from the index simultaneously. | Constituents removed from the qualifying universe between annual reconstitutions are removed from the index simultaneously.  
  In addition, current index constituents that fail the US$ 1.5 billion minimum FMC eligibility requirement as of the quarterly rebalancing reference date are removed from the index. |

For information on the S&P High Yield Dividend Aristocrats Index, please refer to the S&P High Yield Dividend Aristocrats Index Methodology available [here](#).
IMPACT ANALYSIS

Using data from the July 2019 quarterly rebalancing, the table below shows the index's actual one-way turnover and dividend yield as well as the hypothetical results that would have occurred had the proposed changes been applied to that rebalancing.

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<thead>
<tr>
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<th>Actual</th>
<th>Hypothetical</th>
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<tbody>
<tr>
<td>One-way Turnover</td>
<td>6.66%</td>
<td>6.48%</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>2.90%</td>
<td>2.85%</td>
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</table>

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, prior to the market open on Tuesday, October 1, 2019, in conjunction with the next quarterly rebalancing.

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

1. Do you agree with the proposed change to the constituent weightings rule?
2. Do you agree with the proposed change to the deletions rule?
3. If the proposed changes are adopted, do you agree with the proposed implementation date?
4. Do you have any other comments or feedback regarding the proposed changes outlined above?

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. S&P DJI will make responses to consultations freely available upon request. If you do not want your response to be made available, you must clearly state that in your response. Please respond to this survey by September 25, 2019. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee’s final review, S&P DJI will consider the issues and may request clarifications from respondents as part of that review. Alternative options to the proposed questions after the deadline require that the consultation be re-opened to the public.

To participate in this consultation, please visit the online survey available here.

For further information about this consultation, please contact S&P Dow Jones Indices at index_services@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

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

1 Individual and company names as well as contact details will be redacted.
ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500® and the Dow Jones Industrial Average®. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit www.spdji.com.

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