

S&P High Yield Dividend Aristocrats Index Consultation – Updated

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 rebalancings, 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.

Proposed Change	Methodology	
	Current	Proposed
Constituent Weightings	<p>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:</p> <ul style="list-style-type: none"> • 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. 	<p>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:</p> <ul style="list-style-type: none"> • 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	<p>Constituents removed from the qualifying universe between annual reconstitutions are removed from the index simultaneously.</p>	<p>Constituents removed from the qualifying universe between annual reconstitutions are removed from the index simultaneously.</p> <p>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.</p>

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 historical data from the last seven quarterly rebalancings, the table below shows the index's actual one-way turnover as well as the hypothetical results that would have occurred had the proposed changes been applied to the respective rebalancing.¹

One-Way Turnover		
Rebalancing	Actual	Hypothetical
Q1 2018	8.14%	6.47%
Q2 2018	6.17%	4.96%
Q3 2018	7.63%	5.52%
Q4 2018	6.98%	5.62%
Q1 2019	6.95%	6.50%
Q2 2019	5.08%	4.94%
Q3 2019	6.66%	6.48%

Please note that if the proposed changes are adopted, there may be a greater than historical average one-way turnover at the next rebalancing.² If the proposed changes had been applied to the Q3 2019 rebalancing, a one-way turnover of 16.21% would have occurred with a 2.85% dividend yield.

The table below shows the index's actual returns for period starting October 31, 2017 through September 13, 2019 as well as the hypothetical returns that would have resulted had the proposed changes been applied. Actual and hypothetical daily index levels for this time period are available [here](#).

Return Comparison (October 31, 2017 to September 13, 2019)		
Return Type	Actual	Hypothetical
Price Return	14.59%	16.09%
Total Return	20.90%	22.26%
Net Total Return	18.97%	20.38%

IMPLEMENTATION TIMING

S&P DJI is proposing to recognize these methodology changes, if adopted, as of the September 30, 2019 reference date. Based on this timing, index composition and weights would first be affected by the methodology changes in line with the rebalancing changes effective after the close on October 31, 2019.

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 timing?

¹ Hypothetical turnover assumes that all rebalancings are based on the proposed methodology including the pre-rebalancing weights for Q1 2018.

² This one-time turnover assumes the pre-rebalancing weights for Q3 2019 use the current methodology while the next rebalancing weights use the proposed methodology.

CONSULTATION

4. **If the proposed changes are adopted, do you prefer that weight changes are implemented over one or multiple rebalancings?**
5. **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.³ 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.

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.

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³ Individual and company names as well as contact details will be redacted.