Modification to the Methodology of the S&P Long-Only Merger Arbitrage Ex-Cash Liquid Index (Custom)


S&P DJI is modifying the index’s constituent weighting rules so that the monthly capping requirements account for the possibility that the index’s constituent count may fall below 10.

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| Constituent Weightings | The weight for each stock added to the index is determined as follows:  
- The initial weight for each stock is defined as the lower of:  
  - 2.5%, based on closing prices as of the reference date, which is two days prior to each constituent addition.  
  - The stock’s median value traded over the preceding three months, multiplied by 35% and divided by notional principal amount of US$ 300 million.  
- Then, if the initial weight of the stock is 2.5%, the final weight is determined as 2.5% divided by (one minus the cash weight in the underlying index).  
- Otherwise, the final weight is the stock’s median value traded over the preceding three months, multiplied by 35% and divided by notional principal amount of US$ 300 million.  
- At each rebalancing, constituents’ weights are capped at 10%. If any stock weight requires capping, the excess weight is redistributed proportionally to all other uncapped stocks in the index. | The weight for each stock added to the index is determined as follows:  
- The initial weight for each stock is defined as the lower of:  
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- Then, if the initial weight of the stock is 2.5%, the final weight is determined as 2.5% divided by (one minus the cash weight in the underlying index).  
- Otherwise, the final weight is the stock’s median value traded over the preceding three months, multiplied by 35% and divided by notional principal amount of US$ 300 million.  
- At each rebalancing constituents’ weights are capped as follows, according to the index constituent count:  
  - if 9 or fewer constituents, weights are capped at 20%  
  - If 10 to 14 constituents, weights are capped at 15%  
  - If 15 or more constituents, weights are capped at 10%  
- If any stock weight requires capping, the excess weight is redistributed proportionally to all other uncapped stocks in the index. |

This change will become effective prior to the market open on Monday, May 25, 2020.

For more information about S&P DJI, please visit www.spdji.com.
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