S&P Dow Jones Indices
A Division of S&P Global

Index Education

Exploring Dividend Opportunities in Australia

Contributors

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Introduction

We examined the Australian dividend market in the paper Analyzing High Dividend Yield Strategy in Australia and saw that historically, a hypothetical portfolio comprised of high dividend yield firms in Australia outperformed the broad market portfolio. In this paper, we will outline how practitioners may use an indexing method to seek opportunities from high dividend yield strategies in the Australian market.

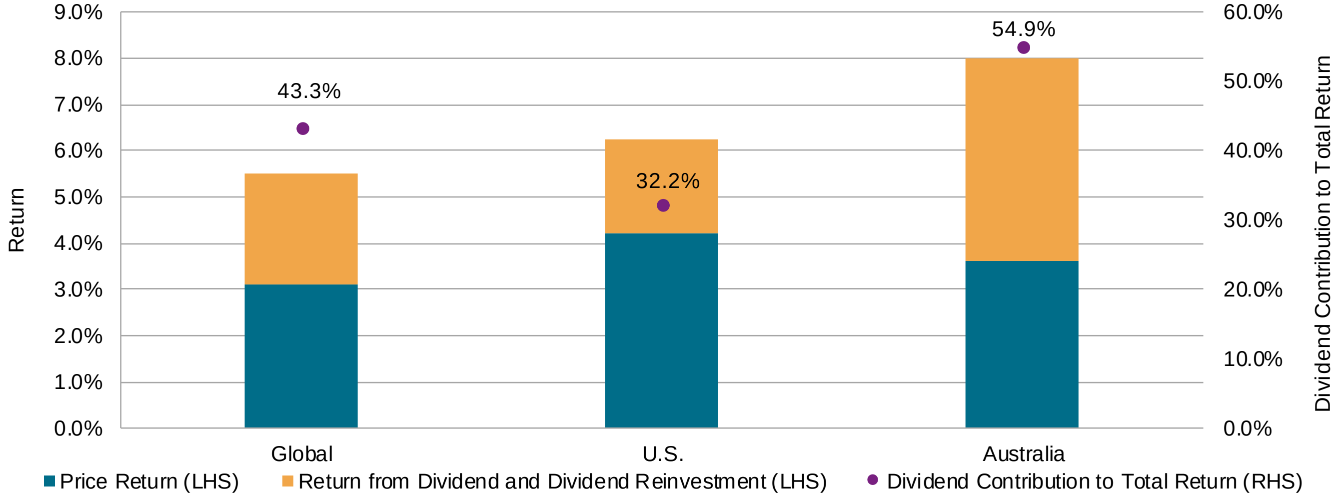
The Importance of Dividends

Dividends can be critical in Australian equity investments for four reasons: 1) dividends are a significant source of total return in the equity market; 2) dividend strategies can serve as an alternative for investors looking to generate income; 3) dividends as a factor have historically generated excess total return in empirical research; and 4) franking credits provide extra tax incentives for market participants to choose high dividend yield stocks.

Dividend Contribution to Total Return

While dividends' contribution to equity total return is widely recognized globally, it appears to be more relevant in Australia particularly. In the U.S., dividends and dividend reinvestment have accounted for over one-third of the S&P 500® total return since 1936. Since 2000, dividends and dividend reinvestment in Australia accounted for more than one-half of the total return for the S&P/ASX 300, higher than 32% for the U.S. and 44% globally (see Exhibit 1).

Exhibit 1: Dividend Contribution to Total Return in the Equity Market

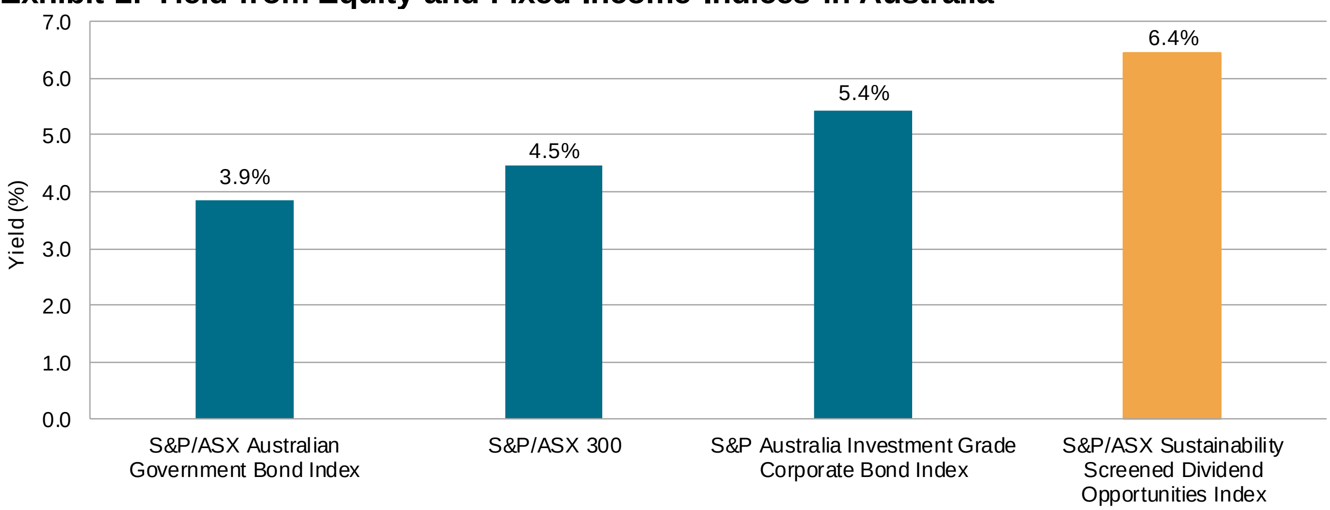


Source: S&P Dow Jones Indices LLC. Data from April 3, 2000, to Dec. 31, 2022. Dividends are calculated before imputation. The S&P 500 represents the U.S.; the S&P Global BMI represents the global market; the S&P/ASX 300 represents Australia. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Alternative Income Strategy

Traditionally, for income-seeking investors, fixed income has been the primary asset class. Over the past decade, global markets have experienced a long cycle of lowering interest rates, which has created challenges for investors looking to generate income. As an alternative, some market participants have turned to dividend strategies in the equity market for yield opportunities. Exhibit 2 shows the yield of two bond indices, a broad equity index and a dividend index in Australia. Although the Australian market has experienced a rapidly rising bond yield since 2021, a dividend strategy could still offer an attractive yield relative to the broad equity market and to the bond indices.

Exhibit 2: Yield from Equity and Fixed Income Indices in Australia



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2022. Dividends are calculated before imputation. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Outperformance of Dividend Strategies

There is an extensive list of literature documenting the historical outperformance of high dividend yield stocks relative to the broad equity market. Michael O'Higgins and John Downes concluded this to be true for the Dow Jones Industrial Average®.[1] Jeremy Siegel noted similar results for stocks in the S&P 500.[2] We conducted a similar empirical study and found that in the Australian market, high yield portfolios generally outperformed the low yield portfolios and the broad market between July 2000 and December 2022.[3]

Extra Benefits from Franking Credits

As discussed in the previous paper, Australia introduced franking credits and the dividend imputation system in 1987 to avoid double taxation of corporate profits. Depending on the investor's tax bucket, franking credits could help to increase total equity return. To help measure the after-tax return of the equity market index, S&P Dow Jones Indices (S&P DJI) offers a franking credit-adjusted series based on the S&P/ASX 300. The franking credit-adjusted series incorporates different tax rates for superannuation funds (currently 15%) and tax-exempt investors (0%). It also offers annual total return and daily total return versions. The annual total return series accrues a pool of gross dividend points (adjusted for the net tax effect of franking credits) on a daily basis, but only reinvests them annually after the end of the financial year (i.e., at the close of the first business day following June 30).[4]

Exhibit 3 shows the effect of franking credits by adjusting franking credits back to the total return of S&P/ASX 300, assuming 15% (superannuation) and 0% (tax-exempt) tax buckets. From July 2005 to December 2022, the superannuation and tax-exempt franking credit-adjusted indices outperformed the S&P/ASX 300 TR by 0.57% and 1.48% per year, respectively. The benefit of franking credit would be even more significant when investing in dividend strategies.

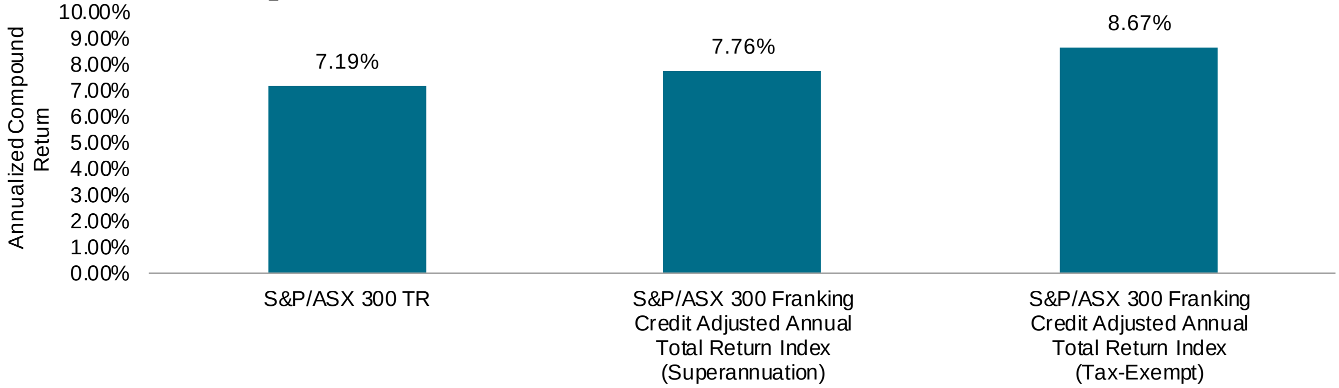
[1] O'Higgins, Michael, and John Downes. "Beating the Dow". HarperCollins. 1991.

[2] Siegel, Jeremy J. "The Future for Investors, Why the Tried and the True Triumph over the Bold and the New." Crown Business. 2005.

[3] For more details, please see Ye, Jason, and Izzy Wang. "Analyzing High Dividend Yield Strategy in Australia." S&P Down Jones Indices LLC. February 2023.

[4] Please see FAQ: S&P/ASX Franking Credit Adjusted Indices for more details.https://www.spglobal.com/spdji/en/documents/additional-material/faq-asx-franking-credit-adjusted-indices.pdf

Exhibit 3: Franking Credits Contribution to the Total Return of S&P/ASX 300



Source: S&P Dow Jones Indices LLC. Data from July 31, 2005, to December 31, 2022. Performance based on monthly total return in AUD. The S&P/ASX 300 Franking Credit Adjusted Annual Total Return Index (Superannuation) and S&P/ASX 300 Franking Credit Adjusted Annual Total Return Index (Tax-Exempt) were launched Nov. 24, 2014. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Tracking Dividend Opportunities

Index Construction

Inspired by the empirical research, S&P Dow Jones Indices partnered with the Australian Stock Exchange (ASX) to launch the S&P/ASX Sustainability Screened Dividend Opportunities Index. This index is designed to measure the performance of the 50 highest-dividend-yielding stocks in the S&P/ASX 300 Ex-A-REIT (Sector) universe while incorporating profitability and sustainability screens. Exhibit 4 shows a methodology summary of the index.

Exhibit 4: Index Methodology

Category	S&P/ASX Sustainability Screened Dividend Opportunities Index
Universe	S&P/ASX 300 Ex-A-REIT (Sector)*
Size and Liquidity	Float-Adjusted Market Capitalization >= AUD 500 million 6-Month Average Daily Value Traded (ADVT) >= AUD 2 million
Fundamental Screen	Profitability: Positive trailing 12-month earnings per share (EPS)
Sustainability Screens	Business Activities United Nations Global Compact (UNGC) Principles Media and Stakeholder Analysis Overlay
Selection	Selection of the top 50 stocks based on 12-month forecast dividend yield
Weighting	12-month forecast dividend yield * float market cap weighted
Constituent Capping	10% capping on single constituents GICS® Sector Cap = Min (x2 S&P/ASX 300 sector weight, S&P/ASX 300 sector weight + 10%)
Rebalancing	Semiannually, effective date the last business day of January and July
First Value Date	Jan. 31, 2012
Launch Date	Oct. 17, 2022

Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2022. *A-REIT = Equity Real Estate Investment Trusts 601010 (GICS Tier 3) plus Mortgage Real Estate Investment Trusts 402040 (GICS Tier 3). Table is provided for illustrative purposes.

Sustainability Screens

The S&P/ASX Sustainability Screened Dividend Opportunities Index incorporates sustainability considerations into an Australian dividend strategy. Incorporating sustainability into index construction is an area of growing focus in the asset management industry. The S&P/ASX Sustainability Screened Dividend Opportunities Index incorporates several sustainability screens in the index construction, which include business activities, UNGC principles and the S&P Global Media and Stakeholder Analysis (MSA).

Business activities screens exclude companies involved in controversial weapons, small arms, military contracting, thermal coal, oil sands, shale energy, oil & gas, tobacco products, alcoholic beverages, gambling, nuclear power and adult entertainment. These are widely accepted screens used in responsible investing practices and are considered by sustainable investors as sources of damage to human health and life.

Companies that are not compliant with the UNGC principles are also excluded. The UNGC principles are a measure of controversial behavior and include matters involving human rights, labor rights, the environment and anti-corruption.

In addition, the index committee monitors ESG risk incidents and controversial activities related to companies within the indices through the MSA. The MSA includes a range of issues, such as economic crime and corruption, fraud, illegal commercial practices, human rights issues, labor disputes, workplace safety, catastrophic accidents and environmental disasters. A company may be excluded if it has been flagged by the MSA.

Performance Discussion

The S&P/ASX Sustainability Screened Dividend Opportunities Index's history goes back to 2012 because it incorporates several sustainability screens that only have reasonable back-tested data starting in January 2012. Exhibit 5 shows that between Jan. 31, 2012, and Dec. 31, 2022, the S&P/ASX Sustainability Screened Dividend Opportunities Index outperformed the S&P/ASX 300 by 2.08% per year. Over the 1-, 3-, 5- and 10-year periods, the S&P/ASX Sustainability Screened Dividend Opportunities Index outperformed the S&P/ASX 300.

The second column in Exhibit 5 shows the performance of the S&P/ASX 300 Ex-A-REIT to demonstrate the impact of excluding REITs from the index universe. The reason we exclude REITs is that REITs distribute their taxable income to shareholders as part of the trust structure. The nature of this distribution is quite different from companies paying a dividend, and the distribution of REITs is not taxed at the corporate level, thus typically it is not franked. We consider REITs to be a separate asset class relative to a dividend strategy, thus excluding it from the initial universe. We can see that the impact of excluding REITs in the S&P/ASX 300 is minor, with similar historical returns and slightly lower volatility.

In the paper Analyzing High Dividend Yield Strategy in Australia, we discussed the high volatility of the high yield strategies, and sometimes the standard deviation of the high yield strategy's monthly returns could be much higher than the standard deviation of the market. In Exhibit 5 we can see that despite the volatility of the S&P/ASX Sustainability Screened Dividend Opportunities Index being higher than the volatility of the S&P/ASX 300, the difference is not that significant. The full period annualized standard deviation of the S&P/ASX Sustainability Screened Dividend Opportunities Index is only 56 bps higher than the S&P/ASX 300. This is due to the effective diversification rules in the index methodology, such as applying the profitability screen to improve the quality of the companies in the universe, and the security and sector capping to manage the concentration and limit deviation from the underlying index.

Exhibit 5: Historical Performance of the S&P/ASX Sustainability Screened Dividend Opportunities Index versus the S&P/ASX 300

Period	S&P/ASX 300 TR	S&P/ASX 300 Ex A-REIT (Sector) TR	S&P/ASX Sustainability Screened Dividend Opportunities Index (AUD) TR	S&P/ASX 300 Franking Credit Adjusted Annual Total Return Index (Tax-Exempt)	S&P/ASX Sustainability Screened Dividend Opportunities Franking Credit Adjusted Annual Total Return Index (Tax-Exempt)
Annualized Compounded Returns (%)					
Full Period	9.16	9.08	11.24	10.73	13.48
1-Year	-1.77	-0.36	8.06	-0.22	10.98
3-Year	5.51	5.96	10.71	6.83	13.05
5-Year	7.10	7.32	10.11	8.52	12.42
10-Year	8.61	8.61	10.39	10.15	12.69
Annualized Standard Deviation (%)					
Full Period	13.76	13.69	14.32	14.13	14.85
1-Year	19.46	19.11	18.45	20.08	19.39
3-Year	19.80	19.19	19.72	20.00	20.14
5-Year	16.40	16.04	16.44	16.62	16.85
10-Year	14.08	13.99	14.60	14.43	15.15
Risk-Adjusted Returns					
Full Period	0.67	0.66	0.78	0.76	0.91
1-Year	-0.09	-0.02	0.44	-0.01	0.57
3-Year	0.28	0.31	0.54	0.34	0.65
5-Year	0.43	0.46	0.62	0.51	0.74
10-Year	0.61	0.62	0.71	0.70	0.84

Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 2012, to Dec. 31, 2022. Index performance based on total return in AUD. The S&P/ASX Sustainability Screened Dividend Opportunities Index was launched Oct. 17, 2022. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Franking Credit Adjusted Returns

As mentioned previously, S&P DJI also offers a franking credit adjusted (FCA) series for some of the Australian equity indices. The fourth and fifth column in Exhibit 5 show the returns of the FCA total return versions of the S&P/ASX 300 and the S&P/ASX Sustainability Screened Dividend Opportunities Index. The FCA version of the S&P/ASX Sustainability Screened Dividend Opportunities Index outperformed the FCA version of the S&P/ASX 300 by 2.75% per year between Jan. 31, 2012, and Dec. 31, 2022. Compared with the market index, the dividend index benefits even further from franking credits, thanks to its focus on high dividend yield stocks.

Exhibit 6 shows the distribution of franking credit percentage among constituents of the S&P/ASX 300 and the S&P/ASX Sustainability Screened Dividend Opportunities Index. We can see that over 90% of the weight (37 out of 50 names) in the S&P/ASX Sustainability Screened Dividend Opportunities Index paid 100% franked dividends, which is much higher than the 63.9% of weight (130 out of 298 names) in the S&P/ASX 300 that paid 100% franked dividends.

Exhibit 6: Distribution of Constituents' Franking Credit Percentage

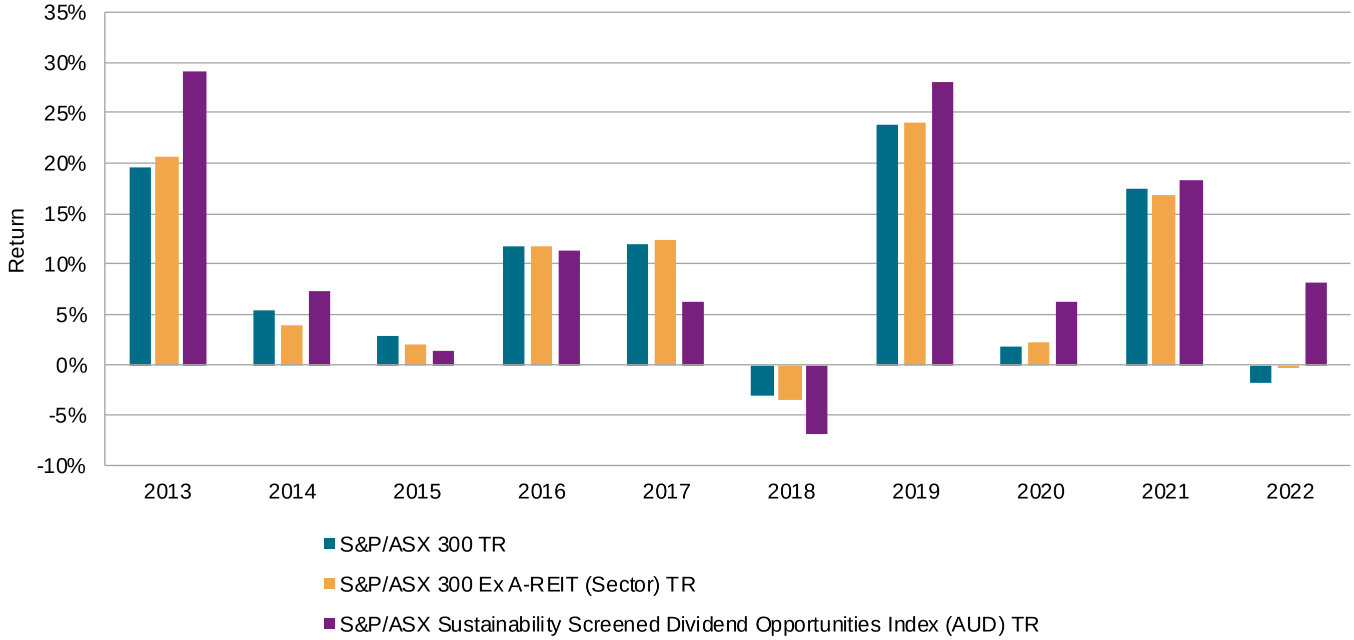
% Franked*	Number of Stocks		Weight (%)	
	S&P/ASX 300	S&P/ASX Sustainability Screened Dividend Opportunities Index	S&P/ASX 300	S&P/ASX Sustainability Screened Dividend Opportunities Index
100	130	37	63.9	90.8
[50, 100)	10	2	1.8	0.8
(0,50)	16	1	12.9	0.6
0	60	10	15.1	7.7
Non Dividend Payer	82	0	6.3	0.0
Total	298	50	100.0	100.0

Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2022. *Constituents as of Dec. 31, 2022, based on the most recent dividend event observed since Jan. 1, 2022. Franking credit percentage and dividend payment based on the most recent dividend event observed since Jan. 31, 2022. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Calendar Year Attribution

Between 2015 and 2018, the S&P/ASX Sustainability Screened Dividend Opportunities Index faced performance challenges, but then it outperformed in each of the four years since 2019 (see Exhibit 7).

Exhibit 7: Calendar Year Performance



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2012, to Dec. 31, 2022. Index performance based on total return in AUD. Past performance is no guarantee of future results. The S&P/ASX Sustainability Screened Dividend Opportunities Index was launched Oct. 17, 2022. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

We further investigated the underperformance between 2017 and 2018 (see Exhibit 8). This underperformance was driven by the underweight in the Health Care and Materials sectors (which both generated strong performance during the period), the overweight in the Communication Services (which had a drawdown of over 30%) and Financials sectors, and the negative stock selection effect in both the Consumer Discretionary and Consumer Staples sectors.

Exhibit 8: 2 Brinson Performance Attribution

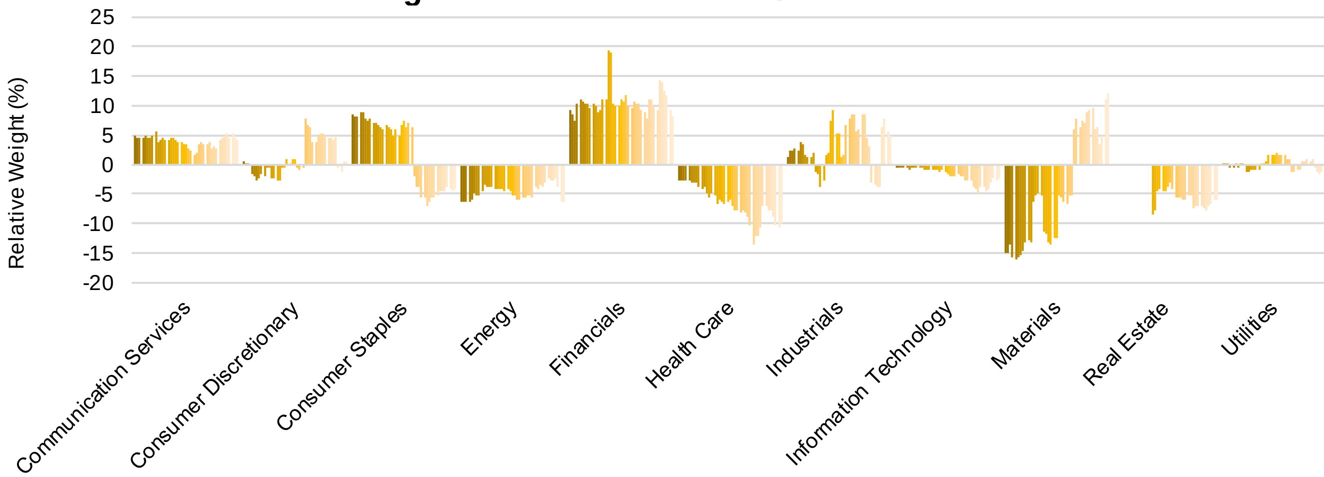
Sector	S&P/ASX Sustainability Screened Dividend Opportunities Index			S&P/ASX 300			Attribution Analysis		
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Allocation Effect	Selection Effect	Total Effect
Health Care	0.84	-14.83	-0.07	7.45	48.90	2.85	-2.12	-0.45	-2.57
Materials	7.60	12.62	-0.03	16.91	23.99	3.78	-1.44	-1.04	-2.48
Communication Services	6.98	-34.14	-2.88	3.17	-32.16	-1.40	-2.00	-0.23	-2.24
Consumer Discretionary	5.59	-29.98	-1.69	5.14	-5.40	-0.26	0.11	-1.91	-1.81
Financials	46.01	-4.70	-1.62	34.20	-5.07	-1.31	-1.45	0.18	-1.26
Real Estate	3.56	-12.27	-0.18	7.26	8.44	0.58	0.14	-0.61	-0.47
Consumer Staples	13.37	12.39	1.65	7.35	26.18	1.69	1.10	-1.54	-0.44
Information Technology	0.56	1.16	0.03	1.79	36.17	0.45	-0.26	-0.17	-0.43
Utilities	3.56	8.08	0.32	2.13	3.73	0.18	-0.06	0.16	0.09
Energy	0.00	0.00	0.00	7.28	4.45	0.08	0.25	0.00	0.25
Industrials	11.92	32.87	3.60	7.32	18.68	1.24	0.91	1.69	2.59
Total	100.00	-28.80	-0.87	100.00	127.91	7.89	-4.84	-3.92	-8.76

Source: S&P Dow Jones Indices LLC, FactSet. Data from Jan. 2, 2017, to Dec. 31, 2018. Index performance based on total retu rn in AUD. Past performance is no guarantee of future results. The S&P/ASX Sustainability Screened Dividend Opportunities Index was launched Oct. 17, 2022. All data prior to index launch date is back-tested hypothetical data. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Sector Impact

Sector weights are important to consider when analyzing a strategy, especially in the Australian market, as it is heavily concentrated in two sectors: Financials and Materials. Exhibit 9 shows the historical relative overweight and underweight of GICS sectors in the S&P/ASX Sustainability Screened Dividend Opportunities Index. In each of the GICS sectors, it shows a time series with the relative weight of the sector in the S&P/ASX Sustainability Screened Dividend Opportunities Index to the S&P/ASX 300. We can see that most of the time, the S&P/ASX Sustainability Screened Dividend Opportunities Index overweighted Financials, Industrials and Communication Services, while underweighting Health Care and Energy. The relative weight in Materials was underweight until 2019 but then shifted to overweight. As of Dec. 31, 2022, Materials and Financials were two of the most overweight sectors in the S&P/ASX Sustainability Screened Dividend Opportunities Index (see Appendix for historical GICS sector weights of the two indices).

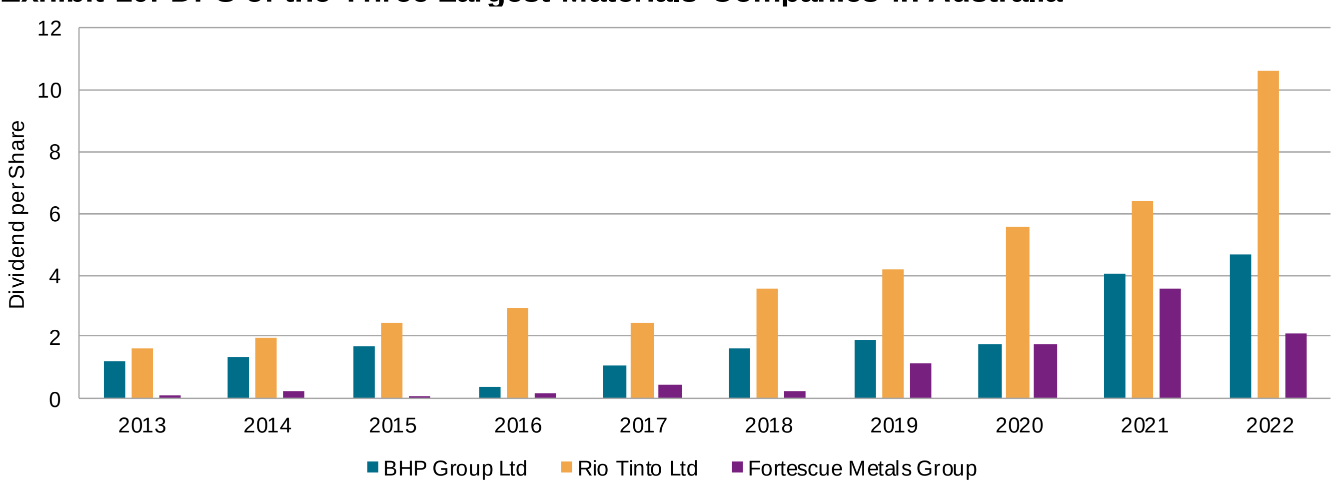
Exhibit 9: GICS Sector Weights Relative to the S&P/ASX 300



Source: S&P Dow Jones Indices LLC. Data from Dec 31, 2012, to Dec 31, 2022. The S&P/ASX Sustainability Screened Dividend Opportunities Index was launched Oct. 17, 2022. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

The Materials sector weight in the S&P/ASX Sustainability Screened Dividend Opportunities Index increased from less than 5% in 2017 to over 35% by end of 2022. The growth of the Materials sector in the index is the most significant sector trend, and the growing weight is concentrated in the three largest materials companies in Australia: BHP Group, Rio Tinto and Fortescue Metals Group. Exhibit 10 shows the increase in dividend per share (DPS) over the past decade for these three companies. We can see a significant pick-up in DPS, particularly for Rio Tinto and BHP Group, from 2020-2022. The increasing DPS, combined with the large market capitalization of these companies, led to the increase of the Materials sector weight in the S&P/ASX Sustainability Screened Dividend Opportunities Index.

Exhibit 10: DPS of the Three Largest Materials Companies in Australia



Source: S&P Dow Jones Indices LLC, FactSet. Data from Dec. 31, 2012, to Dec. 31, 2022. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Performance in Different Market Environments

Since the S&P/ASX Sustainability Screened Dividend Opportunities Index is heavily concentrated in cyclical sectors such as Financials and Materials, the index performance displayed pro-cyclical features, with higher win ratios and better monthly returns in up markets than in down markets. The S&P/ASX Sustainability Screened Dividend Opportunities Index outperformed the S&P/ASX 300 55.06% of the time in up months and 47.62% of the time in down months between February 2012 and December 2022, with an average excess return of 0.14% in up months and 0.02% in down months. Up months are when the S&P/ASX 300 return is positive, and down months are when the S&P/ASX 300 return is negative or zero.

Dividend Yield and Valuations

As a dividend-focused index, the S&P/ASX Sustainability Screened Dividend Opportunities Index had higher dividend yields and lower valuations than the S&P/ASX 300 both in the historical average and as of December 31, 2022. Given the S&P/ASX Sustainability Screened Dividend Opportunities Index incorporates the profitability screen, it also had a higher Return-on-Equity (ROE) than the S&P/ASX 300 (see Exhibit 11).

Exhibit 11: Index Dividend Yield and Valuations

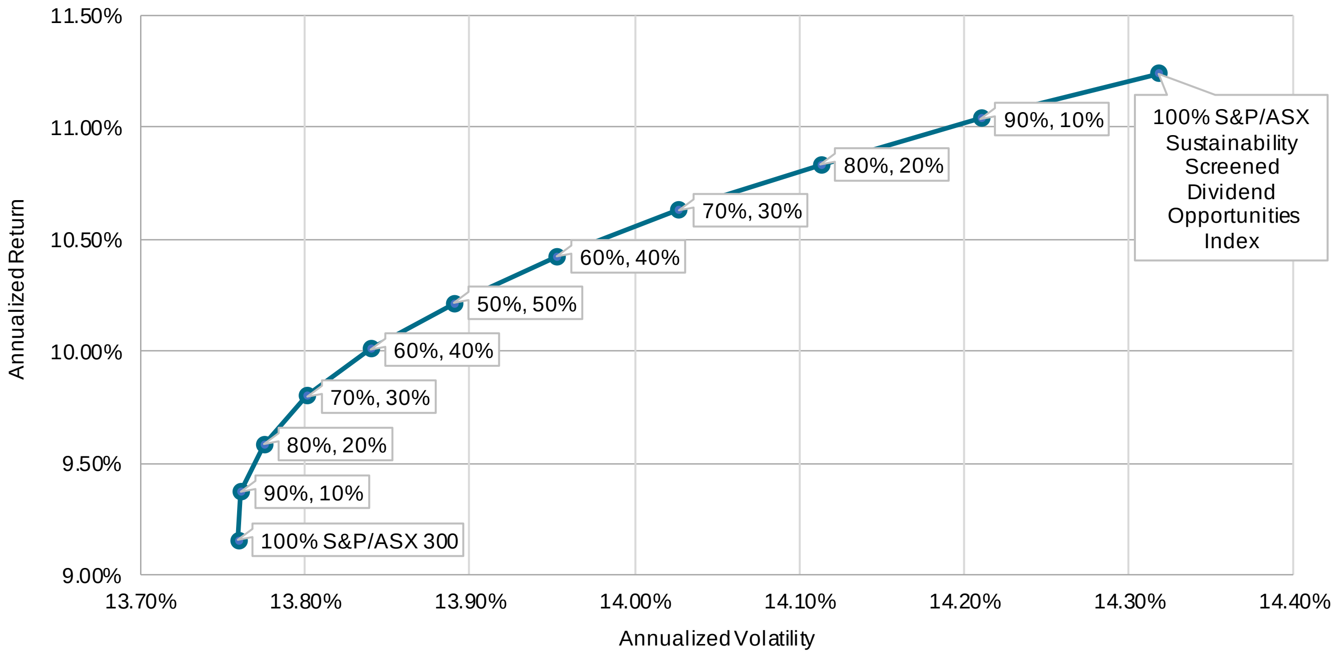
Metric	S&P/ASX Sustainability Screened Dividend Opportunities Index	S&P/ASX 300 Index
As of Dec. 31, 2022		
Dividend Yield	6.50	4.48
Price/Earnings	10.73	12.38
Price/Cash Flow	7.94	10.61
Price/Book	1.86	2.04
Price/Sales	1.97	2.40
ROE	20.99	16.17
Quarterly Average from Dec. 31, 2012, to Dec. 31, 2022		
Dividend Yield	5.63	4.17
Price/Earnings	14.81	16.22
Price/Cash Flow	8.95	10.25
Price/Book	1.96	1.98
Price/Sales	1.62	1.91
ROE	15.76	14.68

Source: S&P Dow Jones Indices LLC, FactSet. Data from Dec. 31, 2012, to Dec. 31, 2022. The S&P/ASX Sustainability Screened Dividend Opportunities Index was launched Oct. 17, 2022. All data prior to index launch date is back-tested hypothetical data. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Combination with the S&P/ASX 300

What are some of the potential benefits of incorporating a dividend strategy into a broad market portfolio? We can compare the different hypothetical outcomes when combining the S&P/ASX Sustainability Screened Dividend Opportunities Index and the S&P/ASX 300. From February 2012 to December 2022, a hypothetical 100% S&P/ASX 300 portfolio generated a 9.16% annual total return, with a 13.76% annualized volatility. Exhibit 12 shows a visual illustration of the improvement in risk-adjusted returns when allocation to the S&P/ASX Sustainability Screened Dividend Opportunities Index was introduced in increments of 10%. As we can see, based on historical performance, a 50/50 allocation moderately improved the total return by 106 bps per year while increasing the volatility by 13 bps. As we further increased the allocation to S&P/ASX Sustainability Screened Dividend Opportunities Index, the risk-adjusted return continued to increase. The hypothetical portfolio with the highest risk-adjusted return was the 100% allocation to the S&P/ASX Sustainability Screened Dividend Opportunities Index.

Exhibit 12: Index Combination Risk/Return Profile



All portfolios shown are hypothetical portfolios.
Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 2012, to Dec. 31, 2022. Index performance is based on total return in AUD. The S&P/ASX Sustainability Screened Dividend Opportunities Index was launched Oct. 17, 2022. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

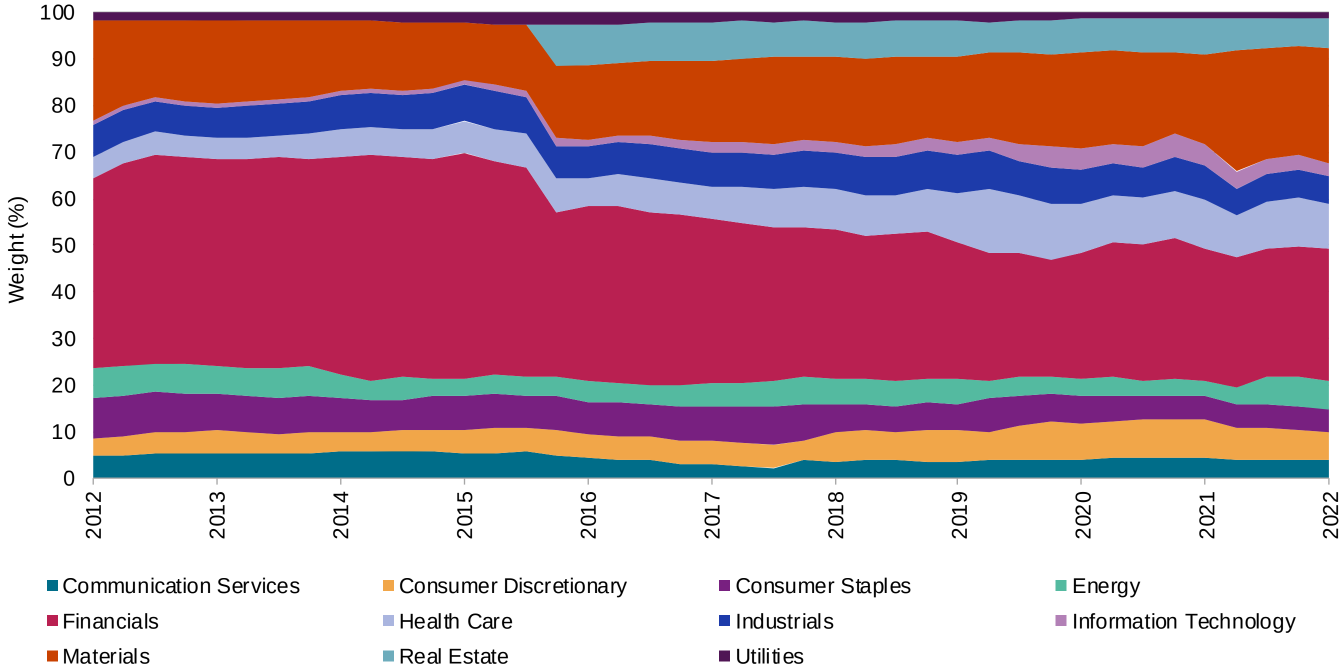
Conclusion

In this paper, we introduced an indexing approach to seek opportunities via a high dividend strategy in the Australian market, while integrating sustainability considerations into the index construction. The S&P/ASX Sustainability Screened Dividend Opportunities Index outperformed the S&P/ASX 300 since 2012, it generally overweighted the Financials and Materials sectors over its history, and it offered a higher yield than the S&P/ASX 300. Considering the back-tested data from the past decade, when combining the S&P/ASX 300 with the S&P/ASX Sustainability Screened Dividend Opportunities Index, the risk-adjusted return improved as the allocation to the S&P/ASX Sustainability Screened Dividend Opportunities Index increased.

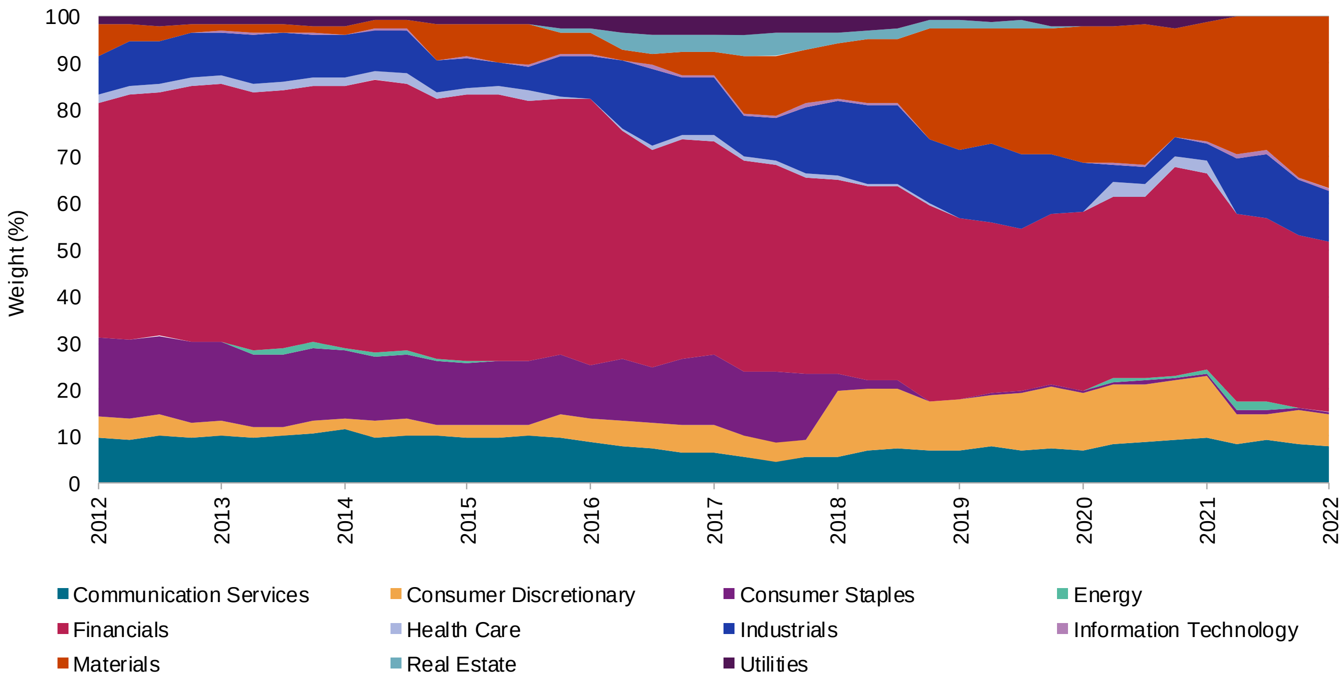
Appendix

Exhibit 13: GICS Sector Weight Comparison

S&P/ASX 300



S&P/ASX Sustainability Screened Dividend Opportunities Index



Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 2012, to Dec. 31, 2022. The S&P/ASX Sustainability Screened Dividend Opportunities Index was launched Oct. 17, 2022. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Performance Disclosure/Back-Tested Data

The S&P/ASX Sustainability Screened Dividend Opportunities Index was launched Oct. 17, 2022. The S&P/ASX 300 Franking Credit Adjusted Annual Total Return Index (Superannuation) and S&P/ASX 300 Franking Credit Adjusted Annual Total Return Index (Tax-Exempt) were launched Nov. 24, 2014. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index 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. Complete index methodology details are available at www.spglobal.com/spdji. Past performance of the Index is not an indication of future results. 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. 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. Back-tested performance is for use with institutions only; not for use with retail investors.

S&P Dow Jones Indices defines various dates to assist our clients in 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 Dow Jones Indices 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.

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 S&P DJI's 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 Dow Jones Indices maintains the index and calculates the index levels and performance shown or discussed but does not manage actual 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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