

Consultation on the Construction of the S&P Global BMI Size Benchmark Indices Results

NEW YORK, AUGUST 30, 2021: S&P Dow Jones Indices (“S&P DJI”) has conducted a consultation with members of the investment community on potential changes to the methodology used to construct S&P Global BMI size benchmark indices.

In order to better balance global size integrity and relative sizing within countries, S&P DJI is changing the company size construction from being purely based at the country level to be assigned based on a composite ranking of size measured both at the country and regional level. While company size will still be primarily determined at the country level, a company’s size within the region will also influence the final size assignment. The tables below summarize the changes.

		Methodology									
Changes	Previous	Updated									
Size Benchmark Indices Construction	<p>For each country, S&P Dow Jones Indices calculates size benchmark indices. The indices consist of three basic components: LargeCap, MidCap, and SmallCap.</p> <p>The splits are based on the cumulative market capitalization of each country. The companies are ranked by total company market capitalization, which is considered to be a better reflection of the economic significance of the company in the economy; then float-adjusted market capitalization is accumulated to 70% for large cap, the next 15% for mid cap and the final 15% for small cap indices. Where a company has multiple share classes (listed and unlisted), the share classes are combined to measure the company’s total market capitalization. The divisions are within countries; there are no restrictions on the break-points or the number of companies in each category.</p>	<p>For each country, S&P Dow Jones Indices calculates size benchmark indices. The indices consist of three size segments: LargeCap, MidCap, and SmallCap.</p> <p>The size designations are based on a company’s cumulative market capitalization at the country and regional levels. First, all companies within a country are ranked by total company market capitalization from largest to smallest; then float-adjusted market capitalization (FMC) at the stock level is accumulated up to 100%. This same process is then repeated at the regional level instead (see Figure 1 below). Where a company has multiple share classes (listed and unlisted), the share classes are combined to calculate the company’s total market capitalization.</p> <p>Each company’s country and regional FMC percentiles are then combined to determine a composite percentile, with a 70% weight given to the country percentile and a 30% weight given to the regional percentile. The resulting composite percentile is used to determine the company’s size segment as follows:</p> <table border="1"> <thead> <tr> <th>Size Designation</th> <th>FMC Composite Percentile</th> </tr> </thead> <tbody> <tr> <td>Large-Cap</td> <td>At or below 70%</td> </tr> <tr> <td>Mid-Cap</td> <td>Above 70% up to 85%</td> </tr> <tr> <td>Small-Cap</td> <td>Above 85%</td> </tr> </tbody> </table> <p>There are no restrictions on the break-points or the number of companies in each category.</p>		Size Designation	FMC Composite Percentile	Large-Cap	At or below 70%	Mid-Cap	Above 70% up to 85%	Small-Cap	Above 85%
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		Methodology	
Changes	Previous		Updated
Buffer Rule Size Categorization	A three-percentage point buffer is maintained between the three size ranges (Large, Mid, Small) to minimize turnover. If a stock moves in its ranking within the three percentage point range where a size-split occurs, then that stock does not change its classification. The evaluation is done during the annual reconstitution.		To minimize turnover, a buffer rule is maintained between the three size segments. A company remains within the existing size range provided that its composite percentile remains within three percent (+/-3%) of the Large/Mid break-point, or within two percent (+/-2%) of the Mid/Small break-point. For consistency, the same buffer rule applies if a company migrates from SmallCap to LargeCap, or from LargeCap to SmallCap. The buffer rule does not apply if application of the rule prevents a change for a second consecutive rebalancing.

For more information on the S&P Global BMI, please refer to the S&P Global BMI, S&P/IFCI Indices Methodology available [here](#).

The regional definitions for size categorization are defined below, with a particular focus on fully retaining country level sizing for relatively large equity markets to retain historical continuity and minimize turnover.

Figure 1

Country	Region	Country	Region	Country	Region
Canada	Canada	Norway	Developed Europe ex-UK	Turkey	Emerging Europe
China	China	Portugal	Developed Europe ex-UK	Japan	Japan
Australia	Developed Asia-Pacific ex-Japan	Spain	Developed Europe ex-UK	Brazil	Latin America
Hong Kong	Developed Asia-Pacific ex-Japan	Sweden	Developed Europe ex-UK	Chile	Latin America
New Zealand	Developed Asia-Pacific ex-Japan	Switzerland	Developed Europe ex-UK	Colombia	Latin America
Singapore	Developed Asia-Pacific ex-Japan	India	Emerging Asia-Pacific ex-China	Mexico	Latin America
South Korea	Developed Asia-Pacific ex-Japan	Indonesia	Emerging Asia-Pacific ex-China	Peru	Latin America
Austria	Developed Europe ex-UK	Malaysia	Emerging Asia-Pacific ex-China	Egypt	Middle-East & Africa
Belgium	Developed Europe ex-UK	Pakistan	Emerging Asia-Pacific ex-China	Kuwait	Middle-East & Africa
Denmark	Developed Europe ex-UK	Philippines	Emerging Asia-Pacific ex-China	Qatar	Middle-East & Africa
Finland	Developed Europe ex-UK	Taiwan	Emerging Asia-Pacific ex-China	Saudi Arabia	Middle-East & Africa
France	Developed Europe ex-UK	Thailand	Emerging Asia-Pacific ex-China	South Africa	Middle-East & Africa
Germany	Developed Europe ex-UK	Czech Republic	Emerging Europe	UAE	Middle-East & Africa
Ireland	Developed Europe ex-UK	Greece	Emerging Europe	Israel	Middle-East & Africa
Italy	Developed Europe ex-UK	Hungary	Emerging Europe		Developed
Luxembourg	Developed Europe ex-UK	Poland	Emerging Europe	U.K.	U.K.
Netherlands	Developed Europe ex-UK	Russia	Emerging Europe	U.S.	U.S.

These changes will be implemented in conjunction with the upcoming rebalancing, which takes effect prior to the market open on **Monday, September 20, 2021**. The changes will first be visible to clients in proforma files (*PRO.SDC) beginning on **Friday, September 3, 2021**.

Considering that this will be the first rebalancing using composite percentiles for sizing, waiving the buffer rule if it prevents a size change for a second consecutive rebalancing will **NOT** be applied until the September 2022 rebalancing.

Please note the relevant index methodologies on S&P DJI's website are being updated to reflect this change.

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

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