

# S&P U.S. Style Indices Consultation on Constituent Weightings Calculations

**NEW YORK, MARCH 22, 2024:** S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the S&P U.S. Style Indices’ constituent weightings rules to address concentration considerations while maintaining index thresholds that are aligned with regulation diversification rules applicable to investment products tracking these indices.<sup>1</sup>

In addition to changing the weighting calculation at each quarterly rebalance, S&P DJI also proposes adding a secondary reweighting check. If, on the third to last business day of March, June, September, or December, a company has an index weight greater than 24% or the sum of the companies with weights greater than 4.8% exceeds 50% of the total index weight, then a secondary reweighting will be triggered with the rebalancing effective date being after the close of the last business day of the month. There will be no change to the annual reconstitution process or timing of S&P U.S. Style Indices. The table below summarizes the proposed changes.

| Proposed Change        | Current                        | Methodology Proposed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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| Constituent Weightings | Market capitalization-weighted | <p>Each index is capped market capitalization weighted. For capping purposes, the indices are rebalanced quarterly after the close of business on the third Friday of March, June, September, and December using the following procedures:</p> <ol style="list-style-type: none"> <li>1. The rebalancing reference date is the Wednesday prior to the second Friday of March, June, September, and December.</li> <li>2. With prices reflected on the rebalancing reference date, adjusted for any applicable corporate actions, and membership, shares outstanding, IWFs and Growth/Value Factor as of the rebalancing effective date, weight each company by style adjusted FMC. Modifications are made as defined below.</li> <li>3. If any company has a weight greater than 24%, cap the company’s weight at 23%, which allows for a 2% buffer. This buffer is meant to mitigate against any company exceeding 25% as of the quarter-end diversification requirement date.</li> <li>4. Redistribute all excess weight proportionally to all uncapped companies within the relevant index.</li> <li>5. After this redistribution, if the weight of any other company breaches 23%, repeat the process iteratively until no company breaches the 23% weight cap.</li> <li>6. The sum of the companies with weights greater than 4.8% cannot exceed 50% of the total index weight. These caps are set to allow for a buffer below the 5% limit.</li> <li>7. If the rule in step 6 is breached, rank all companies in descending order by weight, and reduce the weight of the smallest company whose weight is greater than 4.8% that causes the step 6 breach to 4.5%. Continue this process iteratively until step 6 is satisfied.</li> <li>8. Assign index share amounts to each constituent to arrive at the weights calculated above. Since index shares are assigned based on prices on the Wednesday prior to the second Friday of the rebalance month, the actual weight of each constituent at the rebalancing differs somewhat from these weights due to market movements.</li> </ol> <p><i>For more information on the index calculation methodology, please refer to the Capped Market Capitalization Weighted Indices section of <a href="#">S&amp;P Dow Jones Indices’ Index Mathematics Methodology</a>.</i></p> <p>At times, companies may be represented in the S&amp;P U.S. Style Indices by multiple share class lines. Maximum weight capping is based on style adjusted company FMC, with the weight of multiple class companies allocated proportionally to each share class line based on its FMC as of the rebalancing reference date. If no capping is required, both share classes remain in the index at their natural style adjusted FMC.</p> |

<sup>1</sup> For more information on the United States Internal Revenue Code (the “Code”) and the Investment Company Act of 1940 (the “40 Act”), please refer to the Regulatory Capping Requirements section of the [S&P Dow Jones Indices’ Equity Indices Policies & Practices Methodology](#).

| Proposed Change             | Current | Methodology Proposed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| Secondary Reweighting Check | --      | <p><i>For more information on the capping thresholds, please refer to the Regulatory Capping Requirements section of <a href="#">S&amp;P Dow Jones Indices' Equity Indices Policies &amp; Practices Methodology</a>.</i></p> <p>If, on the third to last business day of March, June, September, or December a company has an index weight greater than 24% or the sum of the companies with weights greater than 4.8% exceeds 50%, a secondary reweighting is triggered with the rebalancing effective date after the close of the last business day of the month. This secondary reweighting uses the closing prices as of the third to last business day of March, June, September, or December, and membership, shares outstanding, IWFs and Growth/Value Factor as of the rebalancing effective date.</p> |

For additional information about the indices, please refer to the [S&P U.S. Style Indices Methodology](#).

## IMPACT ANALYSIS

For additional information on the historical impact of the proposed changes, please refer to the file available [here](#). Please note there would be no change to the historical index performance from applying the proposed capping mechanism. The capping thresholds would not have been breached historically at either the quarterly or quarter-end checks.

Please note that since S&P U.S. Style indices based on the S&P 500, S&P MidCap 400, and S&P SmallCap 600 did not breach the thresholds, combinations of these indices – such as the S&P Composite 1500 Growth & Value indices – would also not have breached the thresholds.

The indices impacted by this consultation are the following:

- S&P 500 Growth Index
- S&P 500 Value Index
- S&P MidCap 400 Growth Index
- S&P MidCap 400 Value Index
- S&P SmallCap 600 Growth Index
- S&P SmallCap 600 Value Index
- S&P Composite 1500 Growth Index
- S&P Composite 1500 Value Index
- S&P 900 Growth Index
- S&P 900 Value Index
- S&P 1000 Growth Index
- S&P 1000 Value Index

Additional data and analysis may be made available in the Client Resource Center [www.spglobal.com/spdji/en/client-services/](http://www.spglobal.com/spdji/en/client-services/), which may be updated from time to time throughout the consultation without notice. Additional data and analysis may also be made available upon request.

## IMPLEMENTATION TIMING

S&P DJI proposes implementing the previously described changes, if adopted, prior to the market open on **Monday, June 24, 2024**. If adopted, these changes will first be visible to clients in proforma files beginning on **Friday, June 14, 2024**.

## CONSULTATION

## QUESTIONS

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

1. **Do you agree with the proposed changes to the constituent weightings criteria?**
2. **Do you agree with the proposal to add a secondary reweighting check (including timing)?**
3. **If the proposed methodology changes are adopted, do you agree with the proposed implementation date?**
4. **Do you have any other comments or feedback on the proposed changes outlined above?**

Your participation in this consultation is important as S&P DJI gathers information from various market participants to properly evaluate the proposals. Please respond to this survey by **Friday, April 19, 2024**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI may request clarifications from respondents as part of that review.

To take part in this consultation, please visit the online survey available [here](#).

*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 nor 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.spglobal.com/spdji](http://www.spglobal.com/spdji).

## 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.spglobal.com/spdji](http://www.spglobal.com/spdji).

### FOR MORE INFORMATION:

**S&P Dow Jones Indices**  
[index\\_services@spglobal.com](mailto:index_services@spglobal.com)

## CONSULTATION