

# Dow Jones Islamic Market Developed Markets Quality Index Consultation on Constituent Capping Changes

**NEW YORK, MAY 21, 2024:** S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the Dow Jones Islamic Market Developed Markets Quality Index.

To enhance constituent diversification, S&P DJI proposes the below changes to the constituent weightings process to align with UCITS diversification rule 5/10/40. Additionally, certain buffers will be incorporated to ensure continued consistency with the weighting change.

Methodology	Constituent Weightings
Current	At each rebalancing, the index is weighted by quality score times FMC within each GICS Sector, with the total weight within each GICS Sector equaling the weight of the GICS Sector in the underlying index. If any single constituent’s weight exceeds the maximum of 5% and the constituent’s underlying index weight, an optimization process is run to cap the weights to maintain GICS Sector weight neutrality with the underlying index. If any GICS Sector fails the optimization process, the 5% capping is incrementally relaxed for that GICS Sector until the optimization process succeeds.
Proposed	<p>At each rebalancing, the index is weighted by quality score times FMC within each GICS Sector, with the total weight within each GICS Sector equaling the weight of the GICS Sector in the underlying index.</p> <p><b>An optimization process is run to satisfy the following capping constraints:</b></p> <ul style="list-style-type: none"> <li>• If the constituent's weight in the underlying index is greater than 9%, then cap the constituent's weight at 9%.</li> <li>• If the constituent's weight in the underlying index is greater than 4.5% but less than 9%, then cap the constituent's weight at its weight in the underlying index.</li> <li>• If the constituent’s weight in the underlying index is less than 4.5%, then cap the constituent's final weight at 4.5%.</li> </ul> <p>If any GICS Sector fails the optimization process, the 4.5% capping is incrementally relaxed for that GICS Sector until the optimization process succeeds.</p> <p><b>Cap the aggregate weight of all companies weighing at least 4.5% at 36% of the total index weight.</b></p>

For additional information about the indices, please refer to the [Dow Jones Islamic Market Quality Indices Methodology](#).

## IMPACT ANALYSIS

Using data from the December 2023 rebalancing, the comparison below reflects the impact of any stocks that would have been subject to the proposed capping.

Company	Country of Domicile	GICS Sector	Original Constituent Capped Weight	Proposed Constituent Capped Weights
Apple Inc.	US	Information Technology	7.19%	7.19%
Lam Research Corp	US	Information Technology	5.00%	4.50%

Company	Country of Domicile	GICS Sector	Original Constituent Capped Weight	Proposed Constituent Capped Weights
ASML Holding NV	NL	Information Technology	5.00%	4.50%
Nvidia Corp	US	Information Technology	5.00%	4.50%
Alphabet Inc C	US	Communication Services	5.00%	4.50%
Adobe Inc.	US	Information Technology	5.00%	4.50%
Novo Nordisk AS B	DK	Health Care	4.88%	4.50%

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 is proposing to implement the previously described changes, if adopted, on **Monday, June 24, 2024**. If adopted these changes will first be visible to clients in pro-forma files beginning on **Friday, June 14, 2024**.

## QUESTIONS

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

- 1. Do you agree with the proposal to modify the constituent weightings process by adding UCITS compliance capping?**
- 2. If the proposed changes are adopted, do you agree with the proposed implementation date?**
- 3. Do you have any other comments or feedback regarding the proposed changes outlined above?**

Participation in this consultation is important as S&P DJI gathers information from various market participants to properly evaluate market participants' views and preferences. Please respond to this survey by **May 30, 2024**, as S&P DJI does not accept responses post the survey closure date. Prior to the Index Committee's final review, S&P DJI may request clarifications from respondents as part of that review.

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

*Please be advised that S&P DJI reviews and considers all feedback 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 consultation may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, the change(s) will be announced to clients and posted to the S&P DJI website with prior notice ahead of the effective date.*

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

## CONSULTATION

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:**

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