

Dow Jones U.S. Style Total Stock Market Indices Consultation on Constituent Weightings Calculations

NEW YORK, JULY 22, 2024: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the Dow Jones U.S. Style Total Stock Market Indices’ constituent weightings rules to apply a quarterly capping process that aligns constituent weights with the regulatory diversification rules applicable to investment products tracking these indices.¹

In addition to changing the indices’ weighting process to apply a capped market capitalization scheme, S&P DJI also proposes adding a secondary reweighting check. If, after the close of business on the third to last business day of March, June, September, and December, a company’s weight in an index exceeds 20% (*Proposal 1*), 24% (*Proposal 2*), or the sum of the companies with weights greater than 4.5% exceeds 48% of the total index weight, a secondary reweighting is triggered with an effective date as of after the close of the last business day of the month. The secondary reweighting process has no impact on the indices’ annual reconstitution process. The tables below summarize the proposed changes.

		Methodology	
Change	Current	Proposal 1	Proposal 2
Constituent Weightings	At each rebalancing, the indices are FMC weighted.	<p>Each index is capped market capitalization weighted. For capping purposes, the indices reweight 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"> 1. The rebalancing reference date is the Wednesday prior to the first Friday of March, June, September, and December. 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. 3. If any company weighs more than 20%, cap the company’s weight at 20%, which allows for a 5% buffer. 4. Proportionally redistribute any excess weight to all uncapped companies within the relevant index while maintaining the original ranking order. 5. After this redistribution, if the weight of any other company breaches 20%, repeat the process iteratively until no company breaches the 20% weight cap. 6. The aggregate weight of companies with weights greater than 4.5% cannot exceed 48% of the total index weight. These caps 	<p>Each index is capped market capitalization weighted. For capping purposes, the indices reweight 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"> 1. The rebalancing reference date is the Wednesday prior to the first Friday of March, June, September, and December. 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. 3. If any company weighs more than 24%, cap the company’s weight at 23%, which allows for a 2% buffer. 4. Proportionally redistribute any excess weight to all uncapped companies within the relevant index while maintaining the original ranking order. 5. After the redistribution, if the weight of any other company breaches 23%, repeat the process iteratively until no company breaches the 23% weight cap. 6. The aggregate weight of companies with weights greater than 4.5% cannot exceed 48% of the total index weight. These caps

¹ 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](#).

Change	Current	Methodology	
		Proposal 1	Proposal 2
		<p>are set to allow for a buffer below the 5% limit.</p> <p>7. If the rule in step 6 is breached, rank all companies in descending order by weight. Cap the total weight of the group of companies with individual weights exceeding 4.5% at 46%, while preserving relative proportions. Proportionally redistribute the excess weight to all uncapped companies, ensuring that the uncapped companies maintain the original ranking order, with the weight of the largest uncapped company not exceeding 4.5%. Repeat iteratively until the thresholds are satisfied.</p> <p>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 first Friday of the rebalancing month, the actual weight of each constituent at the rebalancing differs somewhat from these weights due to market movements.</p> <p><i>For more information on the index calculation methodology, please refer to the Capped Market Capitalization Weighted Indices section of S&P Dow Jones Indices' Index Mathematics Methodology.</i></p> <p>At times, companies may be represented in the Dow Jones U.S. Style Total Stock Market 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> <p><i>For more information on the capping thresholds, please refer to the Regulatory Capping Requirements section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.</i></p>	<p>are set to allow for a buffer below the 5% limit.</p> <p>7. If the rule in step 6 is breached, rank all companies in descending order by weight. Cap the total weight of the group of companies with individual weights exceeding 4.5% at 46%, while preserving relative proportions. Proportionally redistribute the excess weight to all uncapped companies, ensuring that the uncapped companies maintain the original ranking order, with the weight of the largest uncapped company not exceeding 4.5%. Repeat iteratively until the thresholds are satisfied.</p> <p>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 first Friday of the rebalancing month, the actual weight of each constituent at the rebalancing differs somewhat from these weights due to market movements.</p> <p><i>For more information on the index calculation methodology, please refer to the Capped Market Capitalization Weighted Indices section of S&P Dow Jones Indices' Index Mathematics Methodology.</i></p> <p>At times, companies may be represented in the Dow Jones U.S. Style Total Stock Market 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> <p><i>For more information on the capping thresholds, please refer to the Regulatory Capping Requirements section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.</i></p>

Change	Current	Methodology	
		Proposal 1	Proposal 2
Secondary Reweighting Check	--	<p>If, on the third to last business day of March, June, September, and December, a company has an index weight greater than 20% or the sum of the companies with weights greater than 4.5% exceeds 48%, a secondary reweighting is triggered with the rebalancing effective date after the close of the last business day of the month. The 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>	<p>If, on the third to last business day of March, June, September, and December, a company has an index weight greater than 24% or the sum of the companies with weights greater than 4.5% exceeds 48%, a reweighting is triggered with the rebalancing effective date after the close of the last business day of the month. The 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 [Dow Jones U.S. Total Stock Market Indices Methodology](#).

IMPACT ANALYSIS

For additional information on the historical impact of the proposed changes, please refer to the file available [here](#).

Additional data and analysis may be made available in the Client Resource Center 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.

IMPACTED INDICES

Index Name	Index Code
Dow Jones U.S. Growth Total Stock Market Index	DWGRO
Dow Jones U.S. Value Total Stock Market Index	DWVAL
Dow Jones U.S. Large-Cap Growth Total Stock Market Index	DWLG
Dow Jones U.S. Large-Cap Value Total Stock Market Index	DWLV
Dow Jones U.S. Mid-Cap Growth Total Stock Market Index	DWMG
Dow Jones U.S. Mid-Cap Value Total Stock Market Index	DWMV
Dow Jones U.S. Small-Cap Growth Total Stock Market Index	DWSG
Dow Jones U.S. Small-Cap Value Total Stock Market Index	DWSV

IMPLEMENTATION TIMING

S&P DJI proposes implementing the previously described changes, if adopted, prior to the market open on **Monday, September 23, 2024**. If adopted, these changes will first be visible to clients in proforma files beginning on **Friday, September 6, 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 change the weighting scheme from FMC to capped market capitalization?**
 - **No, keep the current FMC scheme.**
 - **Change to proposal 1.**
 - **Change to proposal 2.**
 - **Change to a different rule (please specify in Question 4 below).**
- 2. Do you agree with the proposal to add a secondary reweighting check (including timing)?**
 - **No, do not add a secondary reweighting check.**
 - **Change to proposal 1.**
 - **Change to proposal 2.**
 - **Change to a different rule (please specify in Question 4 below).**
- 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?**

CONSULTATION

Participation in this consultation is important as S&P DJI gathers information from various market participants to properly evaluate the market participants' view and preferences. Please respond to this survey by **Friday, August 16, 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 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.

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.

FOR MORE INFORMATION:

S&P Dow Jones Indices
index_services@spglobal.com

CONSULTATION