

Select Sector Indices Consultation on Constituent Weightings Calculations – Results

NEW YORK, SEPTEMBER 3, 2024: S&P Dow Jones Indices (“S&P DJI”) has conducted a [consultation](#) with market participants on potential changes to the Select Sector Indices’ constituent weightings rules to adjust the 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, S&P DJI is also adjusting the secondary reweighting check.

The tables below summarize the changes.

Change	Previous	Methodology	Updated
Constituent Weightings	<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"> The rebalancing reference date is the second Friday of March, June, September, and December. With prices reflected on the rebalancing reference date, adjusted for any applicable corporate actions, and membership, shares outstanding and IWFs as of the rebalancing effective date, each company is weighted by FMC. Modifications are made as defined below. If any company has an FMC weight greater than 24%, the company’s weight is capped 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. All excess weight is proportionally redistributed to all uncapped companies within the relevant index. After this redistribution, if the FMC weight of any other company breaches 23%, the process is repeated iteratively until no company breaches the 23% weight cap. 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. If the rule in step 6 is breached, rank all companies in descending order by FMC 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%. This process continues iteratively until step 6 is satisfied. <p>Index share amounts are assigned to each constituent to arrive at the weights calculated above. Since index shares are assigned based on prices one week prior to rebalancing, 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>Each index is capped market capitalization weighted. For capping purposes, the indices rebalance 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"> The rebalancing reference date is the second Friday of March, June, September, and December. With prices reflected on the rebalancing reference date, adjusted for any applicable corporate actions, and membership, shares outstanding, and IWFs as of the rebalancing effective date, each company is FMC weighted. If any company has an FMC weight greater than 24%, cap all companies’ weights at 23%, which allows for a 2% buffer. 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. If the rule in Step 4 is breached, set the weight of companies greater than 4.8% equal to: $W_i^{Capped} = \max \left(\frac{45\% \times W_i}{\sum_i^N W_i}, 4.5\% \right)$ <p>where:</p> <ul style="list-style-type: none"> N = the total number of companies with index weights over 4.8%, after checking the single company cap. W_i = the index weight of the N companies with individual company weights over 4.8%, after checking the single company cap. Set 4.5% and 45% caps to allow for a buffer below the 5% limit. Proportionally redistribute the excess weight from Steps 3 to 5 to companies with an initial weight less than 4.8%, setting a 4.5% upper bound on the companies’ index weight. 	

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](#).

		Methodology	
Change	Previous		Updated
	<p>At times, companies may be represented in the Select Sector Indices by multiple share class lines. Maximum weight capping is based on 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 FMC weight.</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>7. Assign index share amounts to each constituent to arrive at the weights calculated above. Since index shares are assigned based on prices one week prior to rebalancing, 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, please refer to the Capped Market Capitalization Weighted Indices section of S&P Dow Jones Indices' Index Mathematics Methodology.</i></p> <p>Maximum weight capping is based on company FMC, with the weight of multiple class companies allocated proportionally to each share class line based on FMC as of the rebalancing reference date. If no capping is required, both share classes remain in the index at the natural FMC weight.</p> <p><i>For more information on capping thresholds, please refer to the Regulatory Capping Requirements section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.</i></p>	

		Methodology	
Change	Previous		Updated
Secondary Reweighting Check	<p>If, on the second to last business day of March, June, September, or December a company has a weight greater than 24% or the sum of the companies with weights greater than 4.8% exceeds 50%, a secondary rebalancing will be triggered with the rebalancing effective date being after the close of the last business day of the month. This secondary rebalancing will use the closing prices as of the second to last business day of March, June, September, or December, and membership, shares outstanding, and IWFs as of the rebalancing effective date.</p>		<p>If, on the second to last business day of March, June, September, or December, a company's weight exceeds 24%, or the sum of the companies with weights greater than 4.8% exceeds 50%, the capping breach triggers a secondary reweighting with an effective date as of after the close of the last business day of the month. The secondary reweighting uses capped index weights as of the second to last business days of March, June, September, or December, utilizing the current AWFs and membership, shares outstanding, and IWFs as of the reweighting effective date.</p>

IMPACTED INDICES

Index Name	Index Code
Communication Services Select Sector Index	IXC
Consumer Discretionary Select Sector Index	IXY
Consumer Staples Select Sector Index	IXR
Energy Select Sector Index	IXE
Financial Select Sector Index	IXM
Health Care Select Sector Index	IXV
Industrials Select Sector Index	IXI
Materials Select Sector Index	IXB
Real Estate Select Sector Index	IXRE
Technology Select Sector Index	IXT
Utilities Select Sector Index	IXU

IMPLEMENTATION TIMING

S&P DJI is implementing the previously described methodology changes prior to the market open on **Monday, September 23, 2024**. These changes will first be visible to clients in proforma files beginning on **Friday, September 13, 2024**.

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

INDEX ANNOUNCEMENT

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.

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