

Pacer US Small Cap Cash Cows Index Consultation on Index Universe and Index Construction

NEW YORK, FEBRUARY 24, 2025: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the Pacer US Small Cap Cash Cows Index.

To enhance index liquidity and reduce concentration, S&P DJI is considering changes impacting the reference index, number of constituents, data availability screens, and weighting scheme as detailed below.

Proposed Change	Current	Methodology	Proposed
Reference Index	S&P Small Cap 600 Index	S&P United States SmallCap Index	
Constituent selection and Weighting	Then the 100 securities with the highest Free Cash Flow Yield values are selected. These securities are then weighted by their <i>Free Cash Flow</i> _{T12M} . Stock weights are capped at 2% during each rebalance. Stock weights may exceed 2% between quarterly rebalances.	Then the 200 securities with the highest Free Cash Flow Yield values are selected. These securities are then weighted by their <i>Free Cash Flow</i> _{T12M} . Stock weights are capped during each rebalance. Stock weights may exceed the cap between quarterly rebalances. The weighting cap is determined by the minimum of 2% or a percentage value derived from 5% free float market capitalization assuming US\$ 20 billion index market cap. Min [2%, 5% * Free Float Market Capitalization (expressed in millions) / 20,000].	
Number of Constituents	100	200	
Data Availability Screens	<ol style="list-style-type: none"> Companies within GICS Financials Sector are removed. Prior to 18 November 2024, an additional filter was applied to the sector classification. For details, please refer to Appendix III. Companies with negative Forward Year Free Cash Flows Estimates and Forward Year Earnings Estimates are excluded. 	<ol style="list-style-type: none"> Companies within GICS Financials Sector are removed. Prior to 18 November 2024, an additional filter was applied to the sector classification. For details, please refer to Appendix III. The remaining eligible stocks are ranked by their 3-month average daily traded value and the top 75% are included (inclusive of the stocks at 75%). Companies with negative Forward Year Free Cash Flows Estimates and Forward Year Earnings Estimates are excluded. 	

IMPACTED INDICES

Index Name	Ticker
Pacer US Small Cap Cash Cows Index	CALF
Pacer US Small Cap Cash Cows Total Return Index	CALFTR
Pacer US Small Cap Cash Cows Net Tax Index	CALFNT

IMPACT ANALYSIS

S&P DJI conducted an analysis to assess the impact of the proposed changes based on the December 2024 rebalance data with the following results:

Current Index stock count	Proposed Index stock count	Stocks matched	Number of Stock Changes		Weight difference for matched stocks
			Drops from the current index stock selection	New Adds to the current index stock selection	
100	200	83	17	117	61.6%

Free Cash Flow Yield ¹		
Current Index	Proposed index	Change in Free Cash Flow Yield from Current to Proposed Methodology
1087	972	-11%

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. The information will be posted for the duration of the consultation and up to 30 days thereafter at S&P DJI's discretion. Additional data and analysis may also be made available upon request.

IMPLEMENTATION TIMING

S&P DJI proposes to implement the proposed changes, if adopted, in conjunction with the upcoming March rebalancing, which takes effect prior to the market open on **Monday, March 24, 2025**. If adopted, these changes will first be visible to clients in pro-forma files beginning on **Wednesday, March 19, 2025**.

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 reference index to the S&P United States SmallCap Index?
2. Do you agree with the proposal to change the stock count from 100 to 200?
3. Do you agree with the proposal to include the liquidity screen?
4. Do you agree with the proposal to modify the constituent weighting cap scheme?
5. If the proposed changes are adopted, do you agree with the proposed implementation date?
6. 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 **March 7, 2025**, 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.

¹ As defined in the methodology: Trailing 12-month Free Cash Flows divided by Enterprise Value.

CONSULTATION

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.

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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CONSULTATION