

Pacer US Small Cap Cash Cows Index Consultation on Index Eligibility and Index Weighting Scheme

NEW YORK, MARCH 31, 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.

S&P DJI is considering introducing a country of listing restriction. Additionally, S&P DJI has identified a potential issue with the current weighting scheme as detailed below and proposes several potential options.

Proposed Change	Current	Methodology Proposed
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. 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%). 	<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. Only U.S. listed stocks are included. 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%).
Constituent Selection and Weighting	<p>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.</p> <p>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:</p> <p>Min [2%, 5% * Free Float Market Capitalization (expressed in millions) / 20,000].</p>	<p>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.</p> <p>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:</p> <p>Min [2%, 5% * Free Float Market Capitalization (expressed in millions) / 20,000].</p> <p>If the total sum of stock weights is less than 100%, the number of securities constraint will be relaxed and the highest ranking stocks that have not yet been selected will be added one by one until 100% total weight is achieved.</p> <p>Capping will continue to be performed after this step, as per the existing rules.</p>

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

IDENTIFIED ISSUE

S&P DJI conducted an analysis and identified the following potential issue: in the event of a market downturn and decreasing market capitalization of stocks, the current weighting scheme could result in a total sum of selected constituents' weights less than 100%. For example, the March 2020 rebalancing would show the following results if the current weighting scheme was in effect at that time.

Rebalancing Date	Sum of Constituents' Weights Under Current Methodology
3-23-2020	62%

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 June rebalancing, which takes effect prior to the market open on **Monday, June 23, 2025**. If adopted, these changes will first be visible to clients in pro-forma files beginning on **Wednesday, June 18, 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 only include U.S. listed stocks?**
2. **Do you agree with the constituent selection and weighting scheme change proposal?**
3. **In relation to the constituent selection and weighting scheme change proposal, do you want to propose any other option?**
4. **If the proposed changes are adopted, do you agree with the proposed implementation date?**
5. **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 **April 30, 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.

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.

CONSULTATION

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:

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