

# Exploring China A-Share Dividends and High Yield Strategy Performance

## Contributors

**Jason Ye, CFA**  
Director  
Factors and Thematics Indices  
[jason.ye@spglobal.com](mailto:jason.ye@spglobal.com)

**Izzy Wang**  
Senior Analyst  
Factors and Dividends  
[izzy.wang@spglobal.com](mailto:izzy.wang@spglobal.com)

## Introduction

Dividend indices stand as one of the most recognized factor-based investment strategies. As of year-end 2023, there were 377 dividend-focused exchange-traded products (ETPs) globally, amassing over 500 billion in assets under management (AUM).<sup>1</sup> In the China A-shares market, the dividend strategy surged to prominence as 2024 kicked off, exhibiting robust performance amidst recent market turbulence. With an AUM increase of over CNY 20 billion in 2023, dividends have emerged as the primary factor strategy in China's ETF industry.

This paper undertakes a comprehensive examination of the Chinese dividend market, providing insights into the historical performance of the high dividend yield strategy.

## Dividends in the China A-Share Market

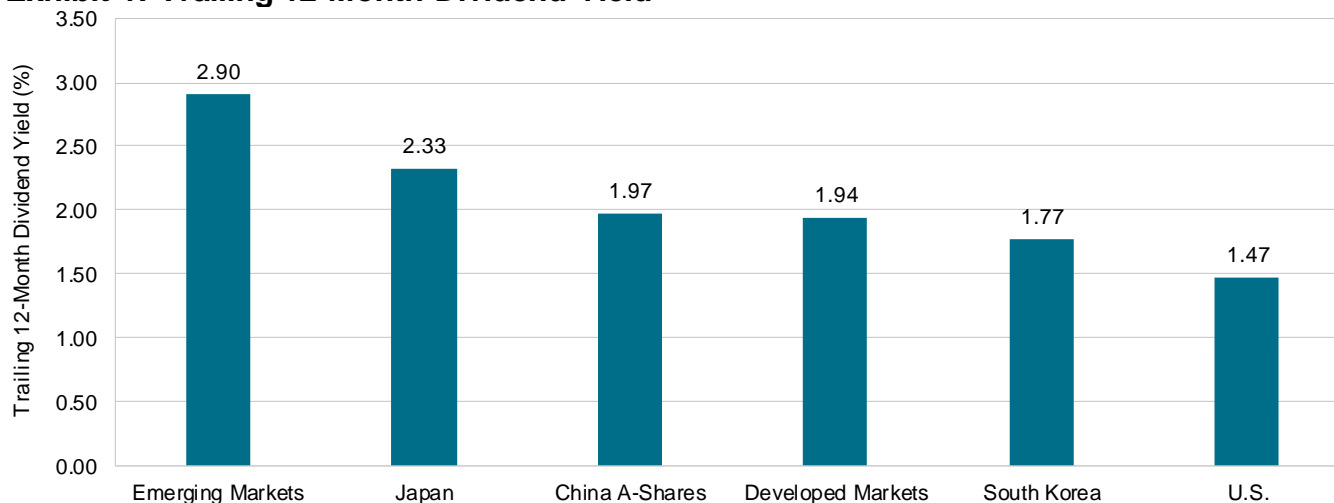
Cash dividends may serve as a significant indicator of a company's future prospects and governance discipline, particularly in developed markets. However, in the China A-shares market, companies have historically displayed reluctance to distribute profits to shareholders, opting instead to retain earnings for reinvestment. Stock dividends once dominated the market, garnering substantial interest from retail investors. This phenomenon underscored a corporate emphasis on refinancing while neglecting the distribution of earnings to shareholders.

<sup>1</sup> Source: Morningstar. Data as of Dec. 31, 2023.

In response to the need to enhance shareholder rewards and corporate governance, Chinese authorities introduced a series of dividend encouragement policies. The China Securities Regulatory Commission (CSRC), for instance, raised the minimum cash dividend payout level to 30% in 2008,<sup>2</sup> compelling companies to distribute profits. Concurrently, the State Administration of Taxation (SAT) gradually reduced taxes on dividends to encourage public investment in dividend-paying stocks. The reduction in personal income tax on dividends from 20% to 10% in 2005, further lowered to 5% in 2013 and eventually eliminated in 2015,<sup>3</sup> incentivized investors to hold stocks for more than one year. In 2023, the CSRC issued a "cash dividend guidance for publicly listed companies," urging clarity in dividend policies and stabilization of investor expectations. The document also reiterated the importance of a 30% dividend payout ratio, and encouraged companies to start paying interim dividends.<sup>4</sup> These policies played a pivotal role in fostering a cash dividend culture in the China A-share market.

As of Dec. 31, 2023, the trailing 12-month dividend yield of the [S&P China A Domestic BMI](#) stood at 1.97%, aligning with the dividend yield level of the [S&P Developed BMI](#) and surpassing that of the [S&P 500®](#) (see Exhibit 1). Indexed assets tracking dividend strategies in the China A-shares market surged from CNY 2 billion in 2013 to CNY 42 billion by Dec. 31, 2023, reflecting an impressive annualized compound annual growth rate (CAGR) of 36% (see Exhibit 2). Moreover, the number of dividend funds tripled over the past four years.

### Exhibit 1: Trailing 12-Month Dividend Yield

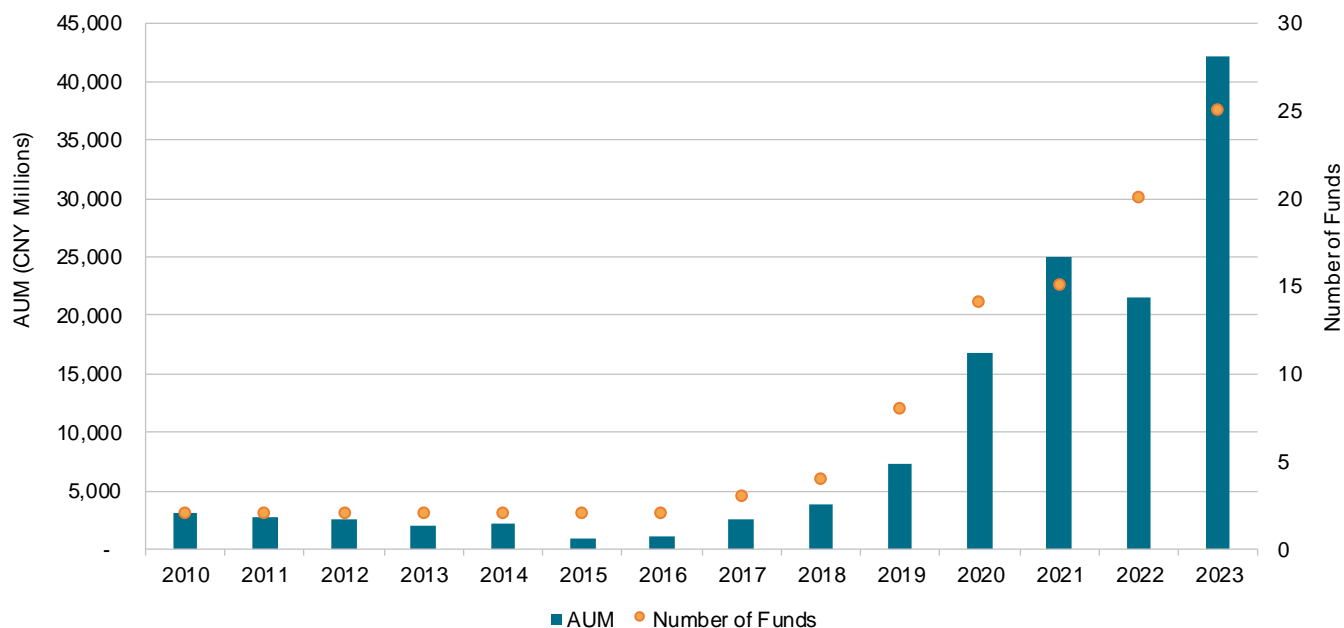


Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2023. Emerging Markets, Developed Markets, Japan, Korea, U.S. and China A-shares are represented by the S&P Emerging BMI, S&P Developed BMI, S&P Japan BMI, S&P Korea BMI, S&P 500 and S&P China A Domestic BMI, respectively. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

<sup>2</sup> Notice on Some Issues Regarding Implementation of Different Individual Income Tax Policies of Dividends and Bonuses in Listed Companies, Caishui (2015) No. 101 (Circular 101), jointly issued by the MOF, SAT and CSRC on Sept. 7, 2015.

<sup>3</sup> Notice on Some Issues Regarding Implementation of Different Individual Income Tax Policies of Dividends and Bonuses in Listed Companies, Caishui (2012) No. 85 (Circular 85), jointly issued by the MOF, SAT and CSRC on Nov. 16, 2012. Notice on Policies Relating to Individual Income Tax on Dividends and Bonuses, Caishui (2005) No. 102 (Circular 102), jointly issued by the MOF, SAT and CSRC on June 13, 2005.

<sup>4</sup> Publicly Listed Company Regulation Guidance No.3 – Publicly Listed Companies Cash Dividend, CSRC on Dec. 15, 2023.

**Exhibit 2: Growth of Dividend Funds in China A-Shares Market**

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

The historical data analysis reveals three major characteristics in the China A-share dividend market:

- A fast-growing dividend pool;
- Diversified sectoral contribution to dividends; and
- Improving dividend sustainability.

## A Fast-Growing Dividend Pool

The size of the dividend pool in the China A-shares market has experienced remarkable growth. In 2023, the total common dividends paid reached a record high of CNY 2.07 trillion, surpassing the figure in 2010 by more than fivefold (see Exhibit 3). The number of companies distributing dividends more than tripled, from 897 in 2010 to over 3,000 in 2023, marking an increase from 54.5% to 68.2% in stock count percentage.

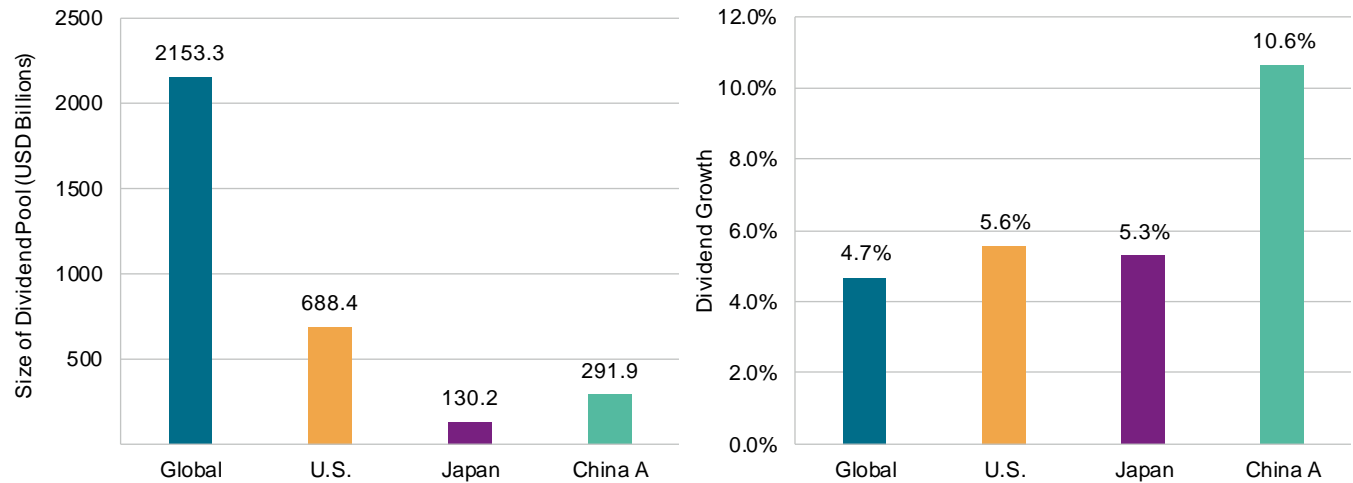
**Exhibit 3: Evolution of Dividends Pool in the China A-Share Market**

Year	Size of Dividend Pool (CNY Billions)	Earnings (CNY Billions)	Payout Ratio (%)	Trailing 12-Month Dividend Yield (%)	Number of Companies that Pay Dividends
2010	386.3	1,526.6	25.3	0.8	897
2011	472.6	1,731.3	27.3	1.3	1,107
2012	583.3	1,857.9	31.4	1.6	1,234
2013	653.1	2,116.5	30.9	1.8	1,349
2014	734.1	2,270.9	32.3	1.3	1,499
2015	756.3	2,262.6	33.4	1.1	1,554
2016	793.2	2,476.5	32.0	1.5	1,587
2017	879	3,094.7	28.4	1.3	1,880
2018	1,090.3	3,193.3	34.1	2.2	2,100
2019	1,165.2	3,483.5	33.4	1.8	2,014
2020	1,315.4	3,723.8	35.3	1.4	2,587
2021	1,529.8	4,618.7	33.1	1.4	2,995
2022	1,883.9	4,968.8	37.9	1.9	3,193
2023	2,072.7	-	-	2.0	3,289

Source: S&P Dow Jones Indices LLC, FactSet. Data as of Dec. 31, 2023. Most of the earnings in 2023 were not released at the time of this article. Only includes companies in the S&P China A Domestic BMI that paid regular cash dividends. The S&P China A Domestic BMI was launched Nov. 27, 2013. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

In comparison with international markets, China A-shares was the largest emerging market dividend payer and one of the fastest-growing dividend markets (see Exhibit 4). In 2023, the total cash dividend payment for China A-shares was more than double that of Japan and more than 40% of the total dividends in the U.S. Over the 10-year period from 2013 to 2023, Chinese equities exhibited an annual dividend growth rate of 10.6%, substantially higher than the global average of 4.7%.

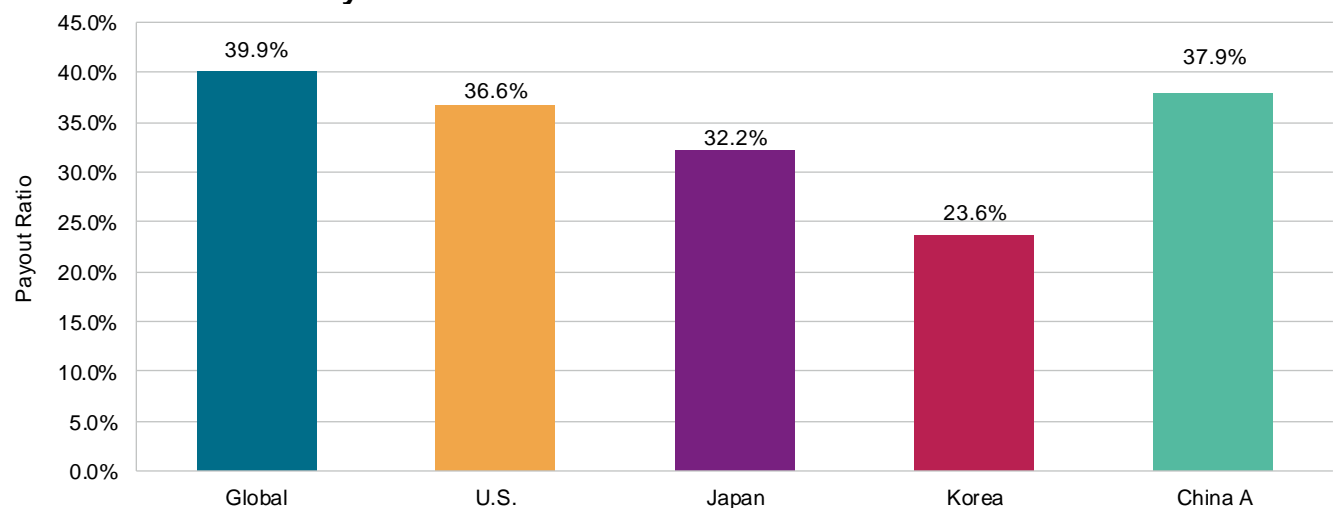
**Exhibit 4: International Markets Dividend Pool Size and Dividend Growth Rate**



Source: S&P Dow Jones Indices LLC, FactSet. Data as of Dec. 31, 2023. Global market is represented by the S&P Global BMI. U.S., Japan, and Korea are represented by companies domiciled in each of the markets from the S&P Global BMI. China A is represented by the S&P China A Domestic BMI. Size of dividend pool represents the year 2023. Dividend growth represents data from 2013 to 2023. The S&P China A Domestic BMI was launched Nov. 27, 2013. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Charts are provided for illustrative purposes and reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Chinese companies are not only displaying an increased willingness to pay cash dividends but are also distributing a larger portion of profits. The payout ratio increased from 25.3% in 2010 to 37.9% in 2022. Following the CRSC's policies in 2012, which further mandated listed companies to disclose their dividend policies, the payout ratio surpassed 30% and has remained consistently above that level since. The payout ratio for 2022 of the China A-share market was comparable to that of the U.S. market and higher than that of the Japan and Korea markets (see Exhibit 5).

**Exhibit 5: Dividend Payout Ratio in the International Markets**

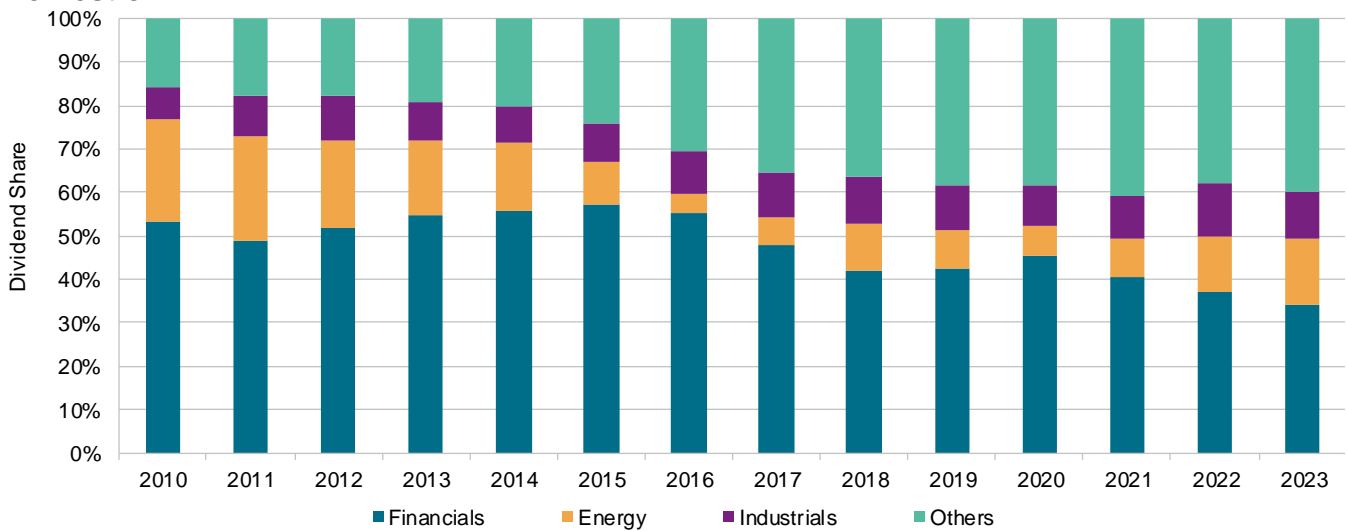


Source: S&P Dow Jones Indices LLC, FactSet. Data as of Dec. 31, 2022. Global market is represented by the S&P Global BMI. U.S., Japan and Korea are represented by companies domiciled in each of the markets from the S&P Global BMI. China A is represented by S&P China A Domestic BMI. Payout ratio represents total dividends divided by total earnings reported in 2022. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

# Diversified Sectoral Contribution to Dividends

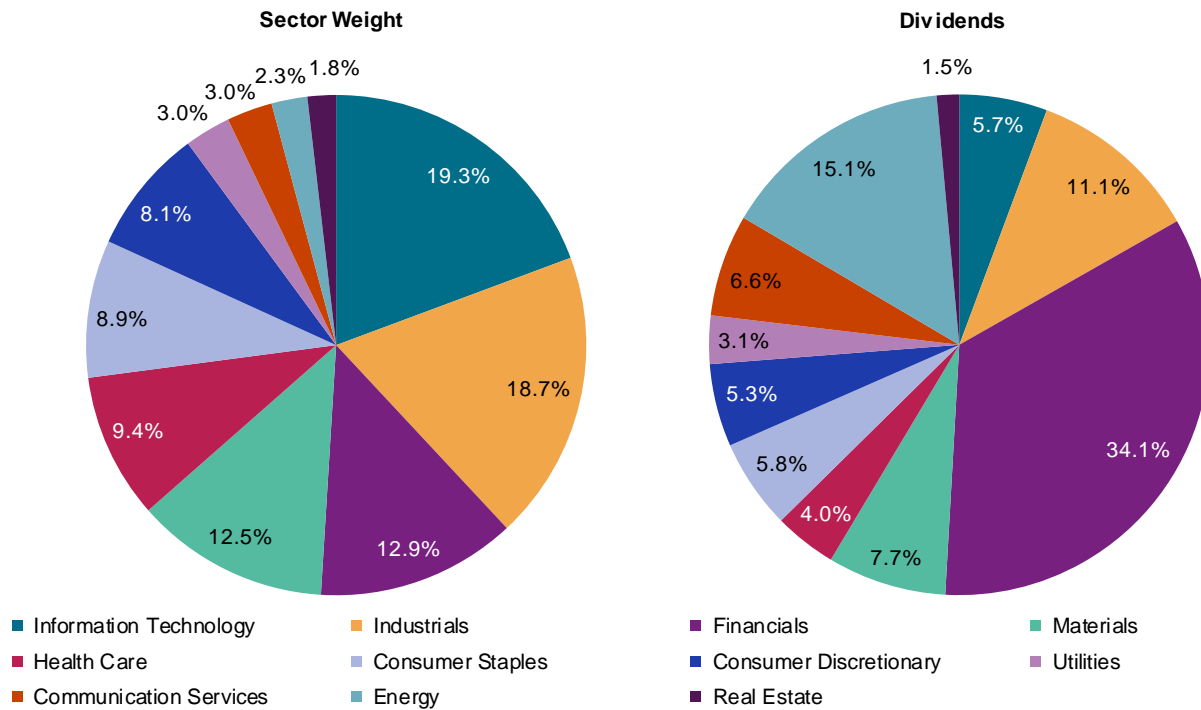
Historically, the dividend pool of the China A-share market exhibited a significant concentration in the Financials, Energy and Industrials sectors. Dividends from Financials accounted for over 50% of the total dividends from 2010 to 2016, while dividends from the Energy sector were consistently above 20% from 2010 to 2012. However, over the past seven years, the percentage contribution from Financials and Energy has been on a declining trend (see Exhibit 6). By 2023, the combined contribution from these two sectors had decreased to below 50% (see Exhibit 7).

**Exhibit 6: Historical Sector Breakdown of the Total Dividends in the S&P China A Domestic BMI**



Source: S&P Dow Jones Indices LLC, FactSet. Data as of Dec. 31, 2023. The S&P China A Domestic BMI was launched Nov. 27, 2013. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

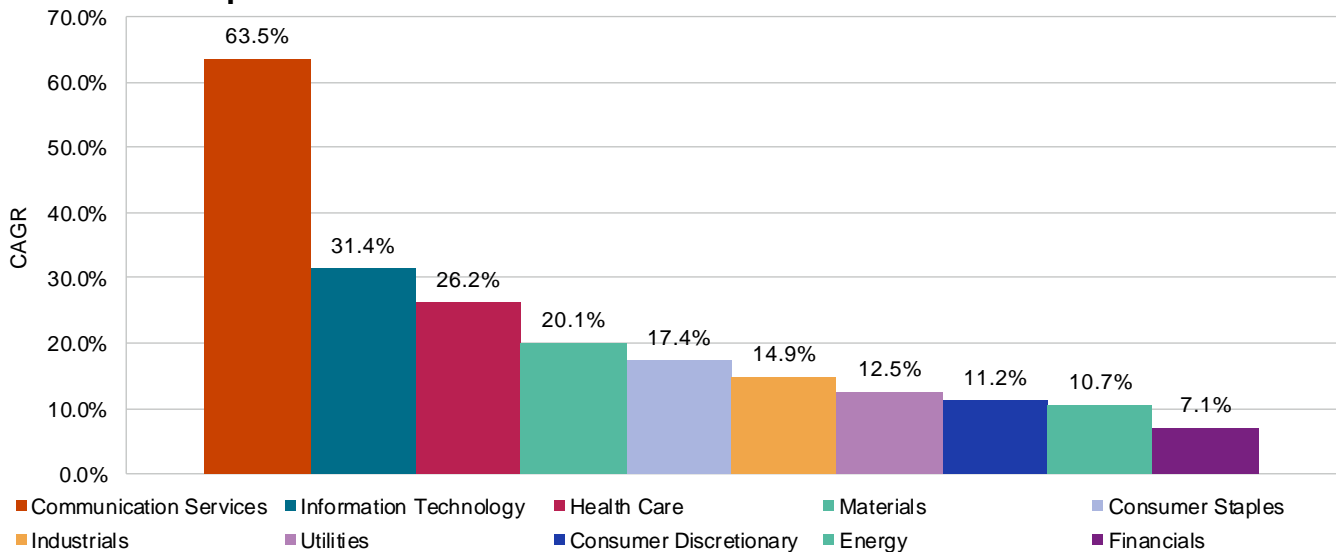
### Exhibit 7: 2023 Sector Weight and Dividends Breakdown in the S&P China A Domestic BMI



Source: S&P Dow Jones Indices LLC, FactSet. Data as of Dec. 31, 2023. Charts are provided for illustrative purposes.

Exhibit 8 illustrates the 10-year CAGR of dividends in each sector. Almost all sectors have experienced double-digit growth over the past decade. Communication Services, Information Technology, Health Care, and Materials all exhibited a CAGR of over 20%. With dividends from non-traditional sectors growing at a faster pace, the concentration in Financials and Energy has diminished, leading to a more balanced distribution of dividends among sectors.

### Exhibit 8: Compound Annual Growth Rate of Sector Dividends



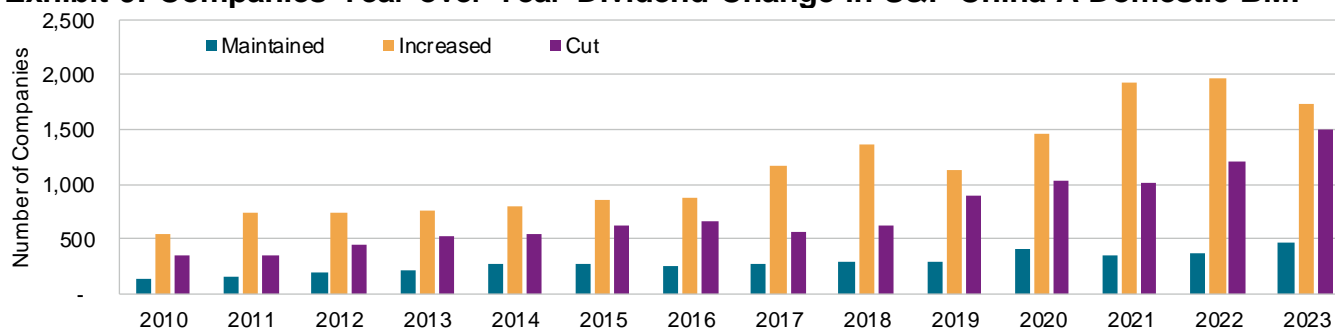
Source: S&P Dow Jones Indices LLC, FactSet. Data from Dec. 31, 2013, to Dec. 31, 2023. Chart is provided for illustrative purposes.

# Improving Dividend Sustainability

Dividend sustainability ensures a steady stream of income and reflects the financial health of a company. A sustainable dividend payment underscores a company's commitment to generating stable cash flows for its shareholders.

Exhibit 9 illustrates the number of companies that increased, maintained or cut dividend payments compared to the previous year. In 2023, 1,726 stocks increased dividend payments on a year-over-year basis, marking a substantial increase from 551 in 2010. Overall, the number of companies with increased dividends has steadily grown since 2010, notwithstanding temporary drops in 2012 and 2019. However, although there were a growing number of companies that increased dividends, the number of companies that cut dividends also increased over the past five years, which shows the developing nature of the China A-shares dividend market, and that many companies are still lacking the commitment to maintain stable dividend payments.

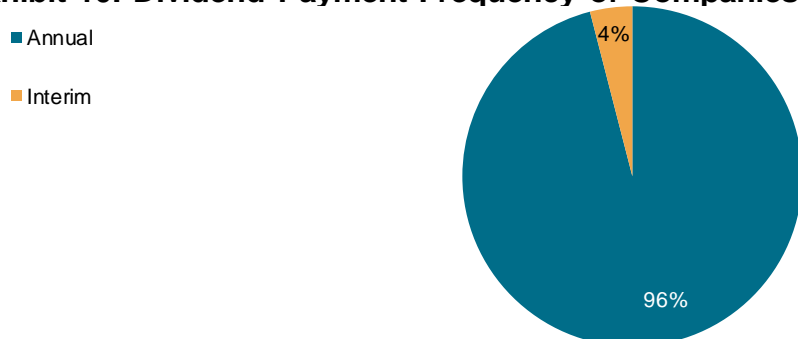
**Exhibit 9: Companies Year-over-Year Dividend Change in S&P China A Domestic BMI**



Source: S&P Dow Jones Indices LLC, FactSet. Data as of Dec. 31, 2023. The S&P China A Domestic BMI was launched Nov. 27, 2013. All data prior to index launch date is back-tested hypothetical data. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

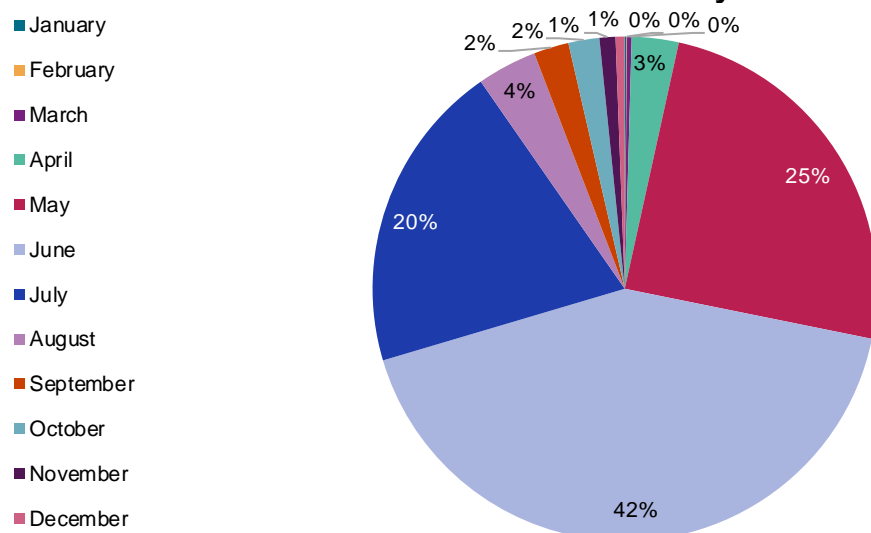
It is a common practice for companies listed in the China A-share market to pay dividends once a year (see Exhibit 10). The majority of ex-dividend dates fall between May and July. For instance, in 2023, over 80% of cash dividends were effective during this period (see Exhibit 11).

**Exhibit 10: Dividend Payment Frequency of Companies in S&P China A Domestic BMI**



Source: S&P Dow Jones Indices LLC, FactSet. Data as of Dec. 31, 2023. Chart is provided for illustrative purposes.



**Exhibit 11: Cash Dividend Ex-Date Distribution by Month in 2023**

Source: S&P Dow Jones Indices LLC, FactSet. Data as of Dec. 31, 2023. Chart is provided for illustrative purposes.

On Dec. 15, 2023, the CSRC released new guidance<sup>5</sup> for cash dividend distribution, streamlining the process of interim dividend approval and encouraging wider adoption of interim dividend schedules in the China A-share market. Notably, starting with blue-chip stocks such as PetroChina, China Petroleum & Chemical Corp, Ping An Insurance and China Telecom, 132 companies had already adopted interim dividends as of Dec. 31, 2023. The trend suggests promising prospects for more Chinese companies to initiate interim dividends in the future.

## High Dividend Yield Strategy Performance

A wealth of literature highlights the historical outperformance of strategies focused on high dividend yield stocks compared to both the broader market and strategies targeting low dividend yield stocks. In their research, Fama and French<sup>6</sup> identified an increasing predictive power of dividend yield on long-term stock returns as the forecast horizon extended from months to years.

One notable strategy, "The Dogs of the Dow," is a straightforward investment approach that entails purchasing the 10 stocks in the [Dow Jones Industrial Average](#)<sup>®</sup> (DJIA) with the highest dividend yield and rebalancing annually. Michael O'Higgins<sup>7</sup> study spanning 26 years revealed that this high dividend yield portfolio generated an impressive 17.9% annualized return, outperforming the 13% annualized return of the DJIA.

<sup>5</sup> Publicly Listed Company Regulation Guidance No.3 – Publicly Listed Companies Cash Dividend, CSRC on Dec.15, 2023.

<sup>6</sup> Fama, Eugene F., and K. R. French. "Dividend Yields and Expected Stock Returns." *Journal of Financial Economics*, Vol. 22, Issue 1, pp. 3-25. October 1988.

<sup>7</sup> O'Higgins, Michael, and John Downes. "Beating the Dow." HarperCollins. 1991.

Similarly, Jeremy Siegel's<sup>8</sup> examination, which involved ranking stocks in the S&P 500 by dividend yield and grouping them into five quintile portfolios rebalanced annually, demonstrated compelling results. Over the period from 1957 to 2002, the highest yield quintile boasted a 14.27% annualized return, surpassing the S&P 500's annualized return of 11.18%.

Robert Arnott's<sup>9</sup> extensive analysis, which parsed 200 years of U.S. equity total returns from 1802 to 2002 into four components (dividend, real dividend growth, inflation and valuation expansion), underscored the important role of dividends in driving real returns from stocks. Arnott concluded that dividends constitute the primary source of real return from equities, accounting for 5.0% of the total annualized return of 7.9% over the analyzed period.

In the subsequent section, we will conduct an empirical study to understand the performance of the high dividend yield strategy in the China A-share market.

## Empirical Study

In line with previous research on dividends, we conducted an analysis of hypothetical portfolios based on trailing 12-month dividend yield. Our study encompassed all stocks listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange with a float market capitalization exceeding USD 150 million, and they must have been traded on the portfolio construction day.

While most Chinese companies distribute dividends annually (see Exhibit 11), our analysis revealed ex-dividend dates occurring throughout the second half of the year, prompting us to rebalance the hypothetical portfolios semiannually at the end of each January and July.

We sorted dividend-paying stocks according to their trailing 12-month dividend yield and allocated them to five hypothetical portfolios based on yield, ranging from the highest to the lowest dividend yield, with non-dividend-paying companies assigned to a separate sixth portfolio.

Exhibit 12 illustrates the equal-weighted returns of each hypothetical portfolio. Our analysis indicates that across most of the back-tested time frames as of Dec. 31, 2023, the high dividend yield portfolio consistently outperformed other portfolios. The relationship between yield and historical performance exhibited a clear monotonic trend, with historical performance increasing as we moved from the low yield quintile portfolio to the high yield quintile portfolio. The risk, as measured by the annualized standard deviation of monthly returns, was highest for the hypothetical low dividend yield portfolio. Conversely, among dividend payers, the high

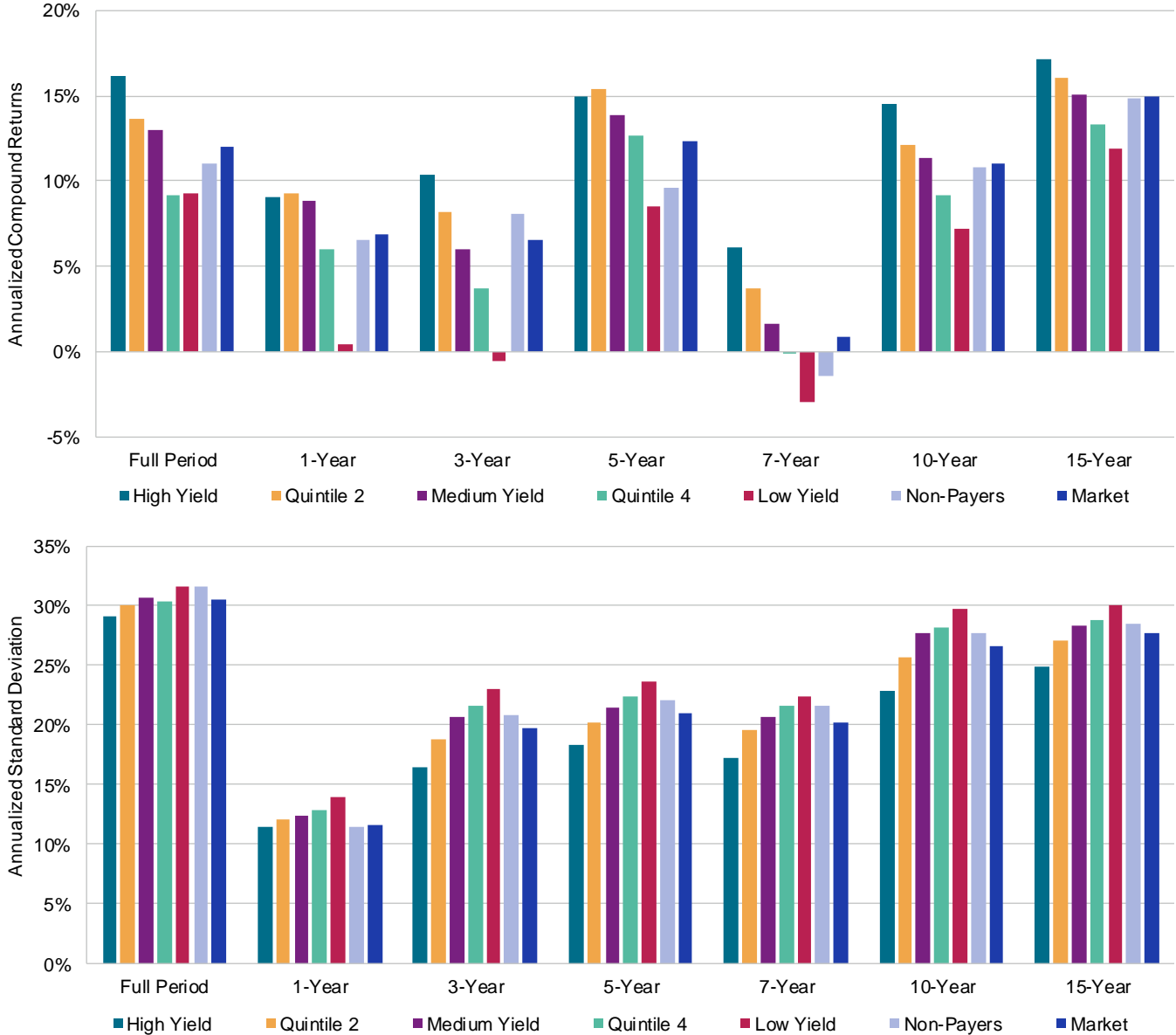
<sup>8</sup> Siegel, Jeremy J. "The Future for Investors: Why the Tried and the True Triumph over the Bold and the New." *Crown Business*. 2005.

<sup>9</sup> Arnott, Robert D. "Dividends and the Three Dwarfs." *Financial Analysts Journal*, Vol. 59, Issue 2, pp. 4-6. 2003.

yield portfolio demonstrated the lowest risk across various sample periods. The risk/return profile of the non-dividend payer portfolio closely resembled that of the broader market.

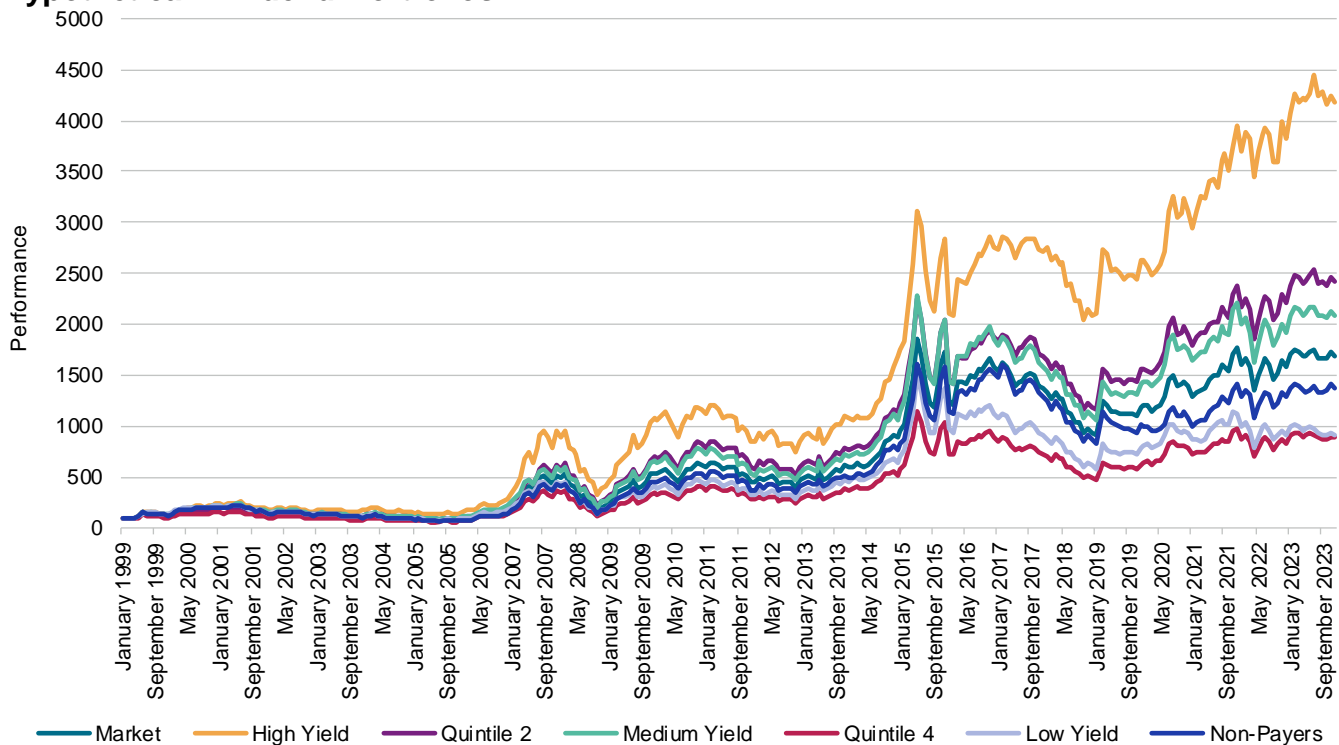
Exhibit 13 provides a look at the growth of hypothetical portfolio levels, demonstrating that since Jan. 31, 1999, the high dividend yield portfolio significantly outperformed other portfolios, as well as the equal-weighted broad market portfolio.

**Exhibit 12: Historical Equal-Weighted Performance of China A-Shares Stocks Sorted into Hypothetical Dividend Portfolios**



All portfolios are hypothetical.  
 Source: S&P Dow Jones Indices LLC, FactSet. Data from Jan. 31, 1999, to Dec. 31, 2023. Index performance based on total returns in CNY. Past performance is no guarantee of future results. Charts are provided for illustrative purposes and reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

### Exhibit 13: Historical Cumulative Portfolio Levels of China A-Shares Stocks Sorted into Hypothetical Dividend Portfolios



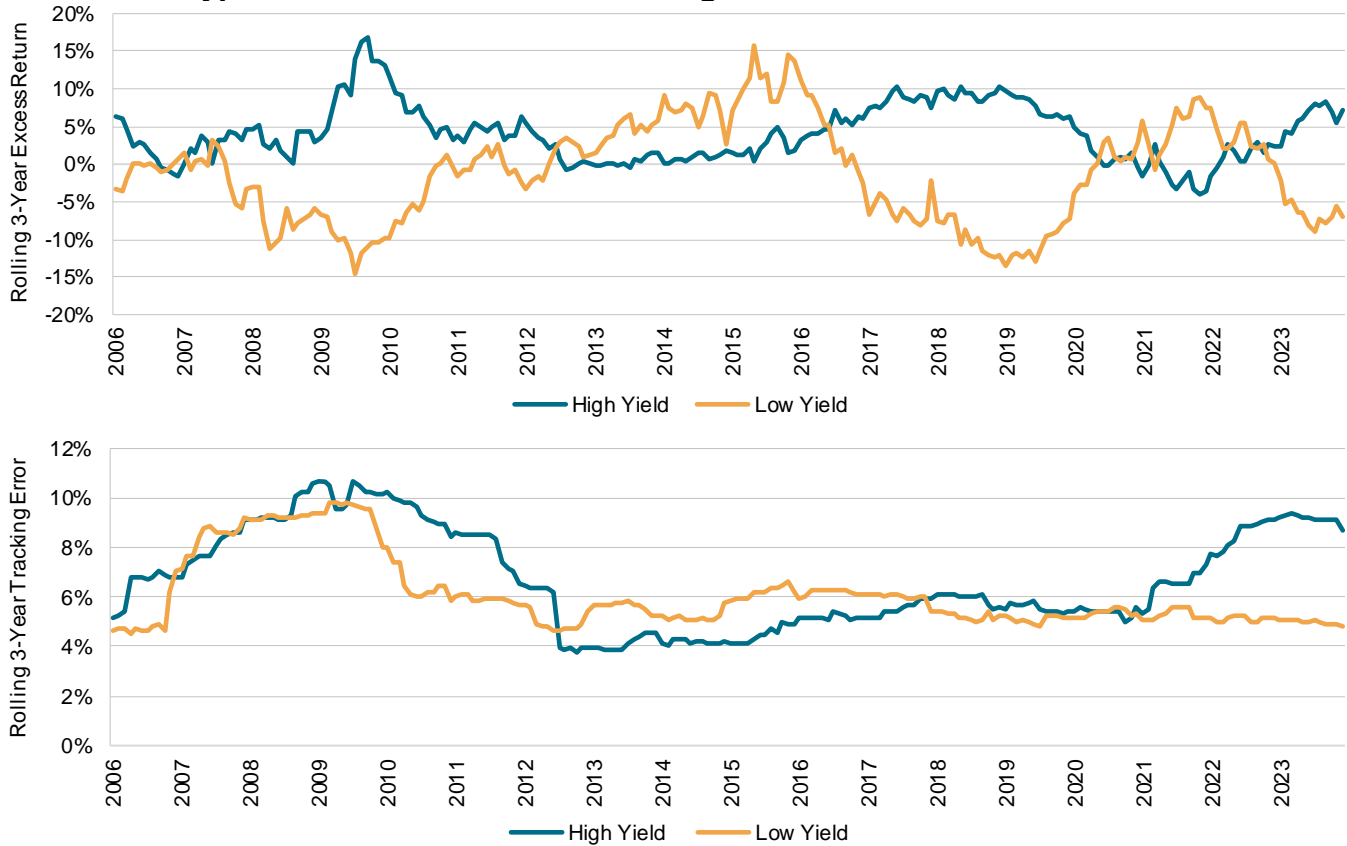
All portfolios are hypothetical.

Source: S&P Dow Jones Indices LLC, FactSet. Data from Jan. 31, 1999 to Dec. 31, 2023. Index performance based on total returns in CNY. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

We further assessed the performance of the hypothetical market-cap-weighted portfolio and observed similar return patterns. The volatility of the high dividend yield portfolio was consistently the lowest among dividend payers and the performance was the best among most of the time frames. To address the concern that the outperformance may be the result of sector allocation effects, we replicated the study by sorting stocks into different yield quintile portfolios within sectors (a sector-neutral approach). The results remained consistent, indicating that the excess return of the high yield portfolio cannot solely be attributed to the weighting effect or sector allocation (see Exhibits 15 and 16 in the Appendix).

Exhibit 13 also reveals the cyclicity of performances. We analyzed the rolling three-year return and tracking error of the hypothetical high and low yield market-cap-weighted portfolios against the S&P China A Domestic BMI (see Exhibit 14). The analysis illustrates a contrasting performance cycle between the high and low yield portfolios. While the low yield portfolio experienced three main underperformance periods, the high yield portfolio outperformed the S&P China A Domestic BMI for the majority of the observed period.

**Exhibit 14: Rolling Three-Year Cap-Weighted Performance of China A-Share Stocks Sorted into Hypothetical Dividend Portfolios against the S&P China A Domestic BMI**



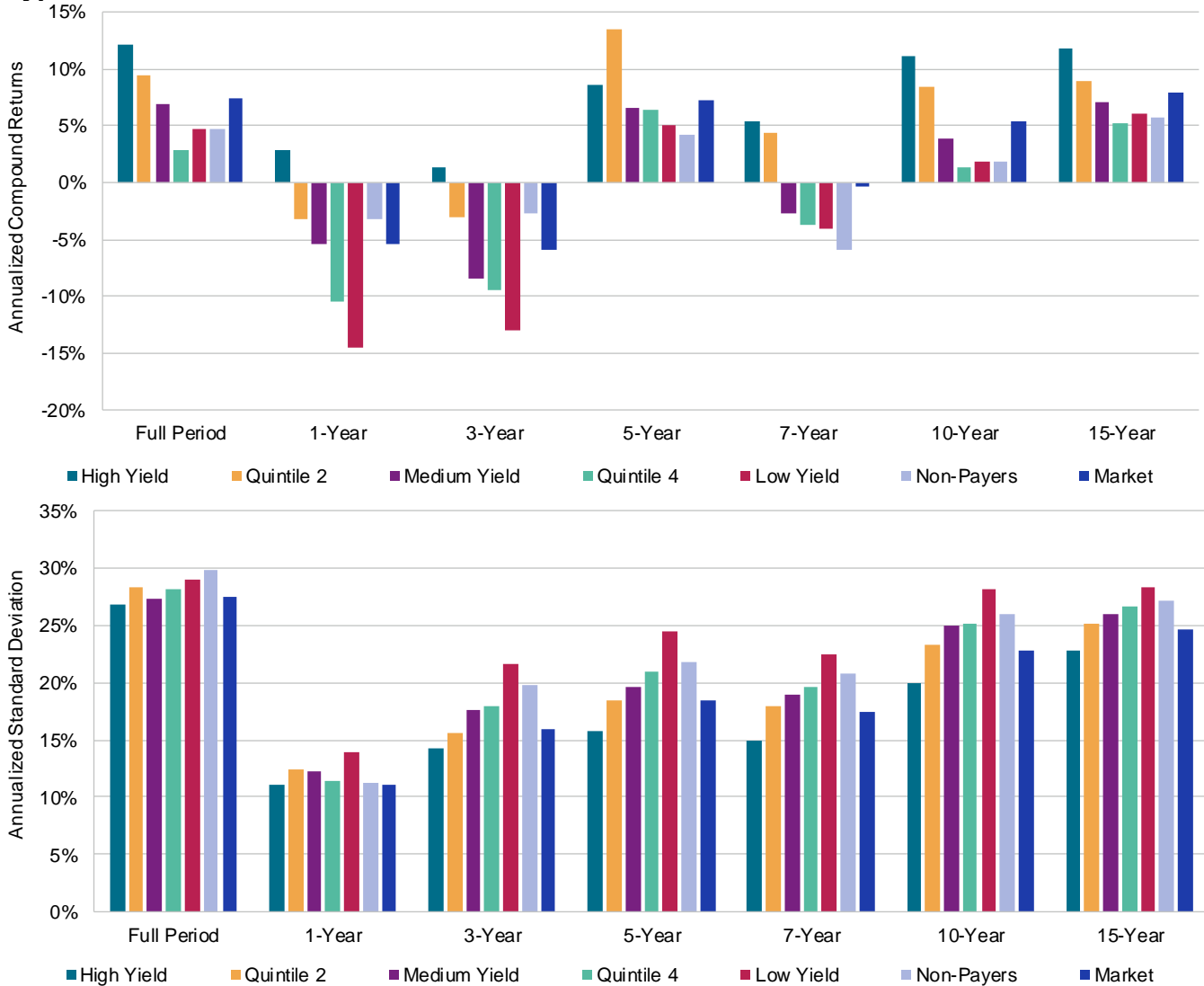
All portfolios are hypothetical.  
 Source: S&P Dow Jones Indices LLC, FactSet. Data from Jan. 31, 2003, to Dec. 31, 2022. Index performance based on total returns in CNY. The S&P China A Domestic BMI Index was launched Nov. 27, 2013. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Charts are provided for illustrative purposes and reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

## Summary

Over the past year, significant improvements have been made in fostering a culture of dividend payment within the China A-share market. Regulatory initiatives have been instrumental in encouraging companies to adopt more transparent and regular dividend payment practices. Moreover, the performance of high dividend yield strategies in the stock market has been noteworthy. In this paper, we provide a review of the China A-Share dividend market's development. Our hypothetical back-tested analysis of the performance of high yield strategies spanning the last 25 years indicates that high yield portfolios in the China A-shares have consistently outperformed both low yield and the broader market portfolios. Moreover, this outperformance was achieved while maintaining a relatively low level of volatility. Last but not least, neither the weighting scheme nor the sector allocation effect fully accounted for the observed performance disparities. There were some strong excess returns historically resulting from a strategy focusing on high dividend yield stocks in the China A-share market.

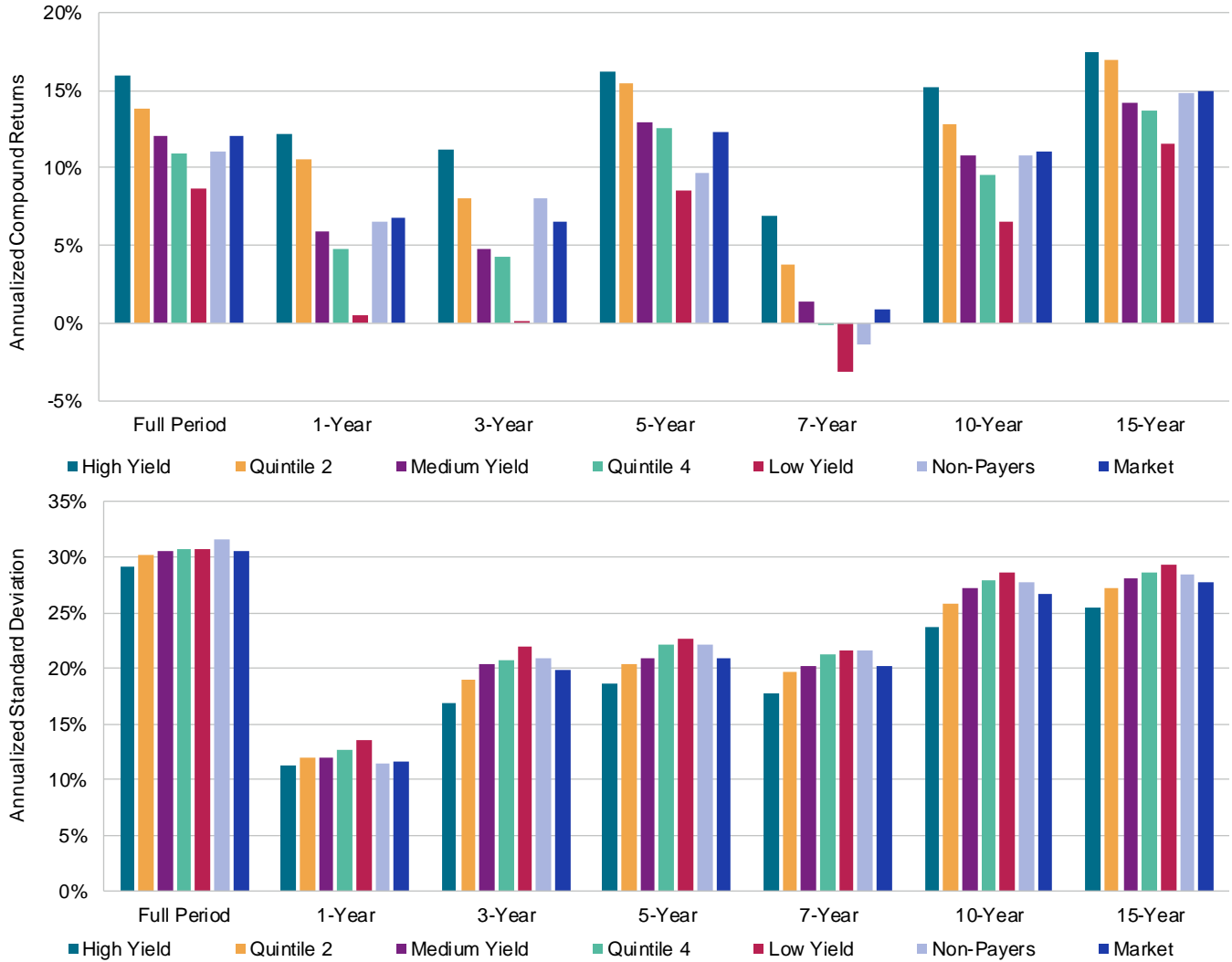
# Appendix

**Exhibit 15: Historical Cap-Weighted Performance of China A-Shares Stocks Sorted into Hypothetical Dividend Portfolios**



All portfolios are hypothetical.  
 Source: S&P Dow Jones Indices LLC, FactSet. Data from Jan. 31, 1999, to Dec. 31, 2023. Index performance based on total returns in CNY. Past performance is no guarantee of future results. Charts are provided for illustrative purposes and reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

### Exhibit 16: Sector Neutral Historical Equal-Weighted Performance of China A-Shares Stocks Sorted into Hypothetical Dividend Portfolios



All portfolios are hypothetical.  
 Source: S&P Dow Jones Indices LLC, FactSet. Data from Jan. 31, 1999, to Dec. 31, 2023. Index performance based on total returns in CNY. Past performance is no guarantee of future results. Charts are provided for illustrative purposes and reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

## Performance Disclosure/Back-Tested Data

The S&P China A Domestic BMI Index was launched Nov. 27, 2013. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. Complete index methodology details are available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji). Past performance of the Index is not an indication of future results. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results. Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate S&P DJI's ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using "Backward Data Assumption" (or pulling back) of ESG data for the calculation of back-tested historical performance. "Backward Data Assumption" is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as "product involvement") were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on "Backward Data Assumption" please refer to the [FAQ](#). The methodology and factsheets of any index that employs backward assumption in the back-tested history will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used.

Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices maintains the index and calculates the index levels and performance shown or discussed but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).



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