

# **S&P Factor Indices** *Methodology*

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# Introduction

## Index Objective and Highlights

The S&P Factor Indices are intended to reflect the differences in the spreads (positive or negative) between the corresponding sub-indices constructed from futures contracts.

Each index is comprised of an equal weighted long sub-index and short sub-index and is calculated to reflect the corresponding inter-commodity spread, which is the difference in the daily changes between the value of the Long Sub-Index and the value of the Short Sub-Index. The indices calculate on a real-time basis. *For details of the composition of the indices, please refer to the **Summary of Index Construction** section in the index methodology.*

## Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

Supporting Document	URL
S&P Dow Jones Indices' Commodities Indices Policies & Practices Methodology	<a href="#">Commodities Indices Policies &amp; Practices</a>
S&P Dow Jones Indices' Commodity Index Mathematics Methodology	<a href="#">Commodity Index Mathematics Methodology</a>

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

# Index Construction

## Factors and Factor Indices

Each Factor Index is comprised of a Long Sub-Index and a Short Sub-Index. The Long Sub-Index is composed of long front futures contracts. The Short Sub-Index is composed of short front futures contracts. Each Index is calculated to reflect the corresponding inter-commodity spread, which is the difference in the daily changes (positive or negative) between the value of the Long Sub-Index and the value of the Short Sub-Index. The index families are calculated daily, throughout the calendar year. The indices follow the NYSE holiday schedule.

S&P Dow Jones Indices calculates an Excess Return (ER) and Total Return (TR) version of each of the indices described below.

- **S&P U.S. Equity Risk Premium Index.** The construction of the index involves taking a long position in the S&P 500 Futures Excess Return Index and a short position in the S&P U.S. Treasury Bond Futures Excess Return Index.

*For information on the index construction, please refer to the **S&P Futures Indices Methodology** and **S&P Global Bond Futures Index Series Methodology**, respectively, available at [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/).*

- **S&P 500 Non-U.S. Dollar Index.** The construction of the index involves taking a long position in the S&P 500 Futures Excess Return Index and a short position in the S&P U.S. Dollar Futures Excess Return Index.

*For information on the index construction, please refer to the **S&P Futures Indices Methodology**, available at [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/).*

- **S&P Crude Oil – Equity Spread Index.** The construction of the index involves taking a long position in the S&P GSCI Crude Oil Excess Return Index and a short position in the S&P 500 Futures Excess Return Index.

*For construction of the constituent sub-indices, please refer to the **S&P GSCI Index Methodology** and **S&P Futures Indices Methodology**, respectively, available at [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/).*

- **S&P Gold – Equity Spread Index.** The construction of the index involves taking a long position in the S&P GSCI Gold Excess Return Index and a short position in the S&P 500 Futures Excess Return Index.

*For construction of the constituent sub-indices, please refer to the **S&P GSCI Index Methodology** and **S&P Futures Indices Methodology**, respectively, available at [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/).*

## Summary of Index Construction

Index	Sub-Indices and Sub-Index Futures Contracts	Exchange (Symbol)	Base Date	Sub-Index Base Weight (%)	Contract Roll Months
S&P U.S. Equity Risk Premium Index	<u>Long Sub-Index:</u> S&P 500 Futures Excess Return Index <u>Long Sub-Index Futures Contract:</u> E-mini Standard and Poor's 500 Stock Price Index Futures	CME (ES)	9/9/1997	100	March, June, September, December
	<u>Short Sub-Index:</u> S&P U.S. Treasury Bond Futures Excess Return Index <u>Short Sub-Index Futures Contract:</u> U.S. Treasury Bond Futures	CME (ZB)	9/9/1997	100	
S&P 500 Non-U.S. Dollar Index	<u>Long Sub-Index:</u> S&P 500 Futures Excess Return Index <u>Long Sub-Index Futures Contract:</u> E-mini Standard and Poor's 500 Stock Price Index Futures	CME (ES)	9/9/1997	100	March, June, September, December
	<u>Short Sub-Index:</u> S&P U.S. Dollar Futures Index <u>Short Sub-Index Futures Contract:</u> U.S. Dollar Index Futures	ICE (DX)	9/9/1997	100	
S&P Crude Oil - Equity Spread Index	<u>Long Sub-Index:</u> S&P GSCI Crude Oil Excess Return Index <u>Long Sub-Index Futures Contracts:</u> Light Sweet Crude Oil Futures	NYMEX (CL)	9/9/1997	100	Roll pursuant to S&P GSCI schedule
	<u>Short Sub-Index:</u> S&P 500 Futures Excess Return Index <u>Short Sub-Index Futures Contract:</u> E-mini Standard and Poor's 500 Stock Price Index Futures	CME (ES)	9/9/1997	100	March, June, September, December
S&P Gold - Equity Spread Index	<u>Long Sub-Index:</u> S&P GSCI Gold Excess Return Index <u>Long Sub-Index Futures Contract:</u> Gold Futures	COMEX (GC)	9/9/1997	100	Roll pursuant to S&P GSCI schedule
	<u>Short Sub-Index:</u> S&P 500 Futures Excess Return Index <u>Short Sub-Index Futures Contract:</u> E-mini Standard and Poor's 500 Stock Price Index Futures	CME (ES)	9/9/1997	100	March, June, September, December

### Note:

**CME** = Chicago Mercantile Exchange, Inc., or its successor.

**NYMEX** = New York Mercantile Exchange or its successor.

**ICE** = Intercontinental Exchange, Inc., or its successor.

**COMEX** = COMEX division of NYMEX or its successor.

## **Futures Roll**

Each Sub-Index, which is constructed from futures contracts, includes a provision for the replacement of the index futures contracts as they approach maturity (also referred to as “rolling” or “the roll”).

*For additional information regarding the roll period for each underlying index, please refer to each corresponding index methodology as provided in the **Factors & Factor Indices** section of the methodology.*

## **Calculation of Excess Return Index**

The excess return of each of the indices is calculated from the price change of the underlying futures contract. *For information on the calculation of the Excess Return index levels, please refer to the **Weighted Return Indices** section focusing on **Calculation of Factor Indices** of the S&P Dow Jones Indices' Commodity Index Mathematics Methodology.*

## **Calculation of Total Return Index**

The methodology calls for using a business day count to calculate the interest rate of return instead of actual days. *For information on the calculation of the Total Return index levels, please refer to the **Leveraged & Inverse Indices** section of the S&P Dow Jones Indices' Commodity Index Mathematics Methodology.*

## **Currency of Calculation and Additional Index Return Series**

In addition to the indices detailed in this methodology, additional return series versions of the indices may be available, including, but not limited to: currency, currency hedged, decrement, fair value, inverse, leveraged, and risk control versions. For a list of available indices, please refer to the [S&P DJI Methodology & Regulatory Status Database](#).

*For information on the calculation of different types of indices, please refer to the **Other Derived Indices** section of the S&P Dow Jones Indices' Index Commodity Mathematics Methodology.*

*For the inputs necessary to calculate certain types of indices, including decrement, dynamic hedged, fair value, and risk control indices, please refer to the Parameters documents available at [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/).*

# Index Governance

## **Index Committee**

An S&P Dow Jones Indices Index Committee maintains the S&P Factor Index Series. The Index Committee may revise index policy covering rules for including currencies, the timing of rebalancing or other matters. S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

*For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Commodities Indices Policies & Practices Methodology.*

# Index Policy

## **Announcements**

Rebalancing announcements, if needed, are made two days prior to the rebalancing date. The indices are calculated daily when the relevant U.S. futures markets are open for official trading, excluding holidays and weekends.

In situations where an exchange is forced to close early due to unforeseen events, such as computer or electric power failures, weather conditions or other events, S&P Dow Jones Indices' will calculate the value of the index based on most recent futures price published by the exchange. If an exchange fails to open due to unforeseen circumstances, S&P Dow Jones Indices' may determine not to publish the index for that day.

*For more information on S&P Dow Jones Indices' announcements, please refer to the [Announcement Policy](#).*

## **Holiday Schedule**

The index is calculated daily, throughout the calendar year. The indices follow the NYSE holiday schedule, despite a different schedule for the U.S. Treasury futures (the U.S. Government Bond holiday schedule). If there is a U.S. Government Bond holiday when the NYSE is open, S&P Dow Jones Indices' uses the previous days' Treasury futures contract prices to calculate the current day's index levels.

*A complete holiday schedule for the year is available at [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/).*

*For information on [Calculations and Pricing Disruptions](#), [Expert Judgment](#), [Data Hierarchy](#), [Unexpected Exchange Closures and Error Corrections](#), please refer to [S&P Dow Jones Indices' Commodities Indices Policies & Practices Methodology](#).*

## **Contact Information**

For any questions regarding an index, please contact: [index\\_services@spglobal.com](mailto:index_services@spglobal.com).



# Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/), major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

## Tickers

The table below lists headline indices covered by this document. All versions of the below indices that may exist are also covered by this document. Please refer to the [S&P DJI Methodology & Regulatory Status Database](#) for a complete list of indices covered by this document.

Index Name	BBG - Real Time	BBG	RIC	Launch Date	Base Date	Base Value
S&P US Equity Risk Premium Excess Return Index	SPUSERPP	--	.SPUSERPP	09/09/1997	08/02/2010	100
S&P US Equity Risk Premium Total Return Index	SPUSERPT	--	.SPUSERPT	09/09/1997	08/02/2010	100
S&P 500 Non-US Dollar Excess Return Index	SPNUSDP	--	.SPNUSDP	09/09/1997	08/02/2010	100
S&P 500 Non-US Dollar Total Return Index	SPNUSDTR	--	.SPNUSDTR	09/09/1997	08/02/2010	100
S&P Crude Oil - Equity Spread Excess Return Index	SPCOESP	--	.SPCOESP	09/09/1997	08/02/2010	100
S&P Crude Oil - Equity Spread Total Return Index	SPCOESTR	--	.SPCOESTR	09/09/1997	08/02/2010	100
S&P Gold - Equity Spread Excess Return Index	SPGDESP	--	.SPGDESP	09/09/1997	08/02/2010	100
S&P Gold - Equity Spread Total Return Index	SPGDESTR	--	.SPGDESTR	09/09/1997	08/02/2010	100

## Index Data

Daily constituent and index level data are available via subscription.

For product information, please contact S&P Dow Jones Indices, [www.spglobal.com/spdji/en/contact-us](http://www.spglobal.com/spdji/en/contact-us).

## Web site

For further information, please refer to S&P Dow Jones Indices' Web site at [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/).

## Appendix A: ESG Disclosures

<b>EXPLANATION OF HOW ENVIRONMENTAL, SOCIAL &amp; GOVERNANCE (ESG) FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY<sup>1</sup></b>		
<b>1.</b>	<b>Name of the benchmark administrator.</b>	S&P Dow Jones Indices LLC.
<b>2.</b>	<b>Underlying asset class of the ESG benchmark.<sup>2</sup></b>	N/A
<b>3.</b>	<b>Name of the S&amp;P Dow Jones Indices benchmark or family of benchmarks.</b>	<a href="#">S&amp;P DJI Futures Indices Benchmark Statement</a>
<b>4.</b>	<b>Do any of the indices maintained by this methodology take into account ESG factors?</b>	No
<b>Appendix latest update:</b>		January 2021
<b>Appendix first publication:</b>		January 2021

<sup>1</sup> The information contained in this Appendix is intended to meet the requirements of the European Union Commission Delegated Regulation (EU) 2020/1817 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the minimum content of the explanation of how environmental, social and governance factors are reflected in the benchmark methodology and the retained EU law in the UK [The Benchmarks (amendment and Transitional Provision) (EU Exit) Regulations 2019].

<sup>2</sup> The 'underlying assets' are defined in European Union Commission Delegated Regulation (EU) 2020/1816 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published.

# Disclaimer

## Performance Disclosure/Back-Tested Data

Where applicable, S&P Dow Jones Indices and its index-related affiliates (“S&P DJI”) defines various dates to assist our clients by 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 DJI 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.

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.

Information presented prior to an index’s launch date is hypothetical back-tested performance, not actual performance, and is based on the index methodology in effect on the 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. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. 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.

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 certain 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 DJI maintains the index and calculates the index levels and performance shown or discussed but does not manage any 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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### **ESG Indices Disclaimer**

S&P DJI provides indices that seek to select, exclude, and/or weight index constituents based on, but not limited to, certain environmental, social or governance (ESG) indicators, or a combination of those indicators, including the following: environmental indicators (including the efficient use of natural resources, the production of waste, greenhouse gas emissions, or impact on biodiversity); social indicators (such as, inequality and investment in human capital); governance indicators (such as sound management structures, employee relations, remuneration of staff, tax compliance, respect for human rights, anti-corruption and anti-bribery matters), specific sustainability or values-related company involvement indicators (for example, production/distribution of controversial weapons, tobacco products, or thermal coal), or controversies monitoring (including research of media outlets to identify companies involved in ESG-related incidents).

S&P DJI ESG indices use ESG metrics and scores in the selection and/or weighting of index constituents. ESG scores or ratings seek to measure or evaluate a company's, or an asset's, performance with respect to environmental, social and corporate governance issues.

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