

# S&P Dow Jones Indices

A Division of **S&P Global**

## **S&P 500 High Dividend Index** *Methodology*

January 2021

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# Introduction

## Index Objective

The S&P 500 High Dividend Index consists of 80 high dividend-yielding companies within the S&P 500 (the “Index Universe”). Constituents are equal weighted.

*For more information on the S&P 500, please refer to S&P Dow Jones Indices’ U.S Indices Methodology available at [www.spdji.com](http://www.spdji.com).*

## 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’ Equity Indices Policies & Practices Methodology	<a href="#">Equity Indices Policies &amp; Practices</a>
S&P Dow Jones Indices’ Index Mathematics Methodology	<a href="#">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.

# Eligibility Criteria

## **Index Eligibility**

To qualify for membership in the index, a stock must satisfy the following criteria as of the rebalancing reference date:

1. Be a member of the index universe.
2. Have an indicated annual dividend amount greater than zero.

## **Multiple Share Classes**

Each company is represented once by the Designated Listing. For more information regarding the treatment of multiple share classes, please refer to Approach B within the Multiple Share Classes section of the S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

# Index Construction

## Approaches

There are two steps in the creation of the index. The first is the selection of the index constituents; the second is the weighting of the constituents within the index.

## Constituent Selection

The selection of index constituents is done as follows:

1. All constituents of the S&P 500 with indicated annual dividend amounts greater than zero as of the rebalancing reference date comprise the initial selection universe.
2. All stocks in the selection universe are ranked in descending order by their 12-month indicated annual dividend yield, calculated as indicated dividend per share for the next 12 months divided by the stock price as of rebalancing reference date.
3. A 20% buffer, based on indicated dividend yield, is applied at each rebalancing, as follows:
  - a. All securities ranked within the top 80% of the target stock count (64) are automatically selected for the index.
  - b. Current constituents ranked within the top 120% of the target stock count (96) are re-selected for the index, in rank order, until the target stock count has been reached.
  - c. If at this step the target stock count still has not been reached, the highest ranked non-constituents are selected in rank order until the target stock count is reached.

At the discretion of S&P Dow Jones Indices, a company may be excluded, or not considered for membership, at a semi-annual rebalancing if S&P Dow Jones Indices determines the company's 12-month indicated dividend yield to be unsustainable.

## Constituent Weightings

At each rebalancing, constituent stock weights are reset to equal weight.

## Index Calculations

The index is calculated by means of the divisor methodology used for all S&P Dow Jones equity indices.

*For more information on index level calculations please refer to the Equal Weighted Indices section of S&P Dow Jones Indices' Index Mathematics Methodology.*

# Index Maintenance

## Rebalancing

The index is rebalanced semi-annually, effective after the close of the last business day of January and July. The rebalancing reference dates are the last business days of the prior December and June, respectively.

**Additions.** With the exception of qualifying spin-offs, no additions are made to the index between rebalancings.

**Deletions.** Constituents removed from the S&P 500 are removed from the S&P 500 High Dividend Index simultaneously. Other deletions may occur during the rebalancing reviews.

## Index Adjustments

All index adjustments, excluding additions, flow through from the S&P 500.

**Spin-offs.** If the spun-off company is added to the S&P 500, both the parent and spun-off companies will remain in the index until the next index rebalancing, at which time each will be evaluated for continued membership. The spun-off company is added to the index at a zero price after the market close of the day before the ex-date (with no divisor adjustment). If the spun-off company is not added to the S&P 500, the spun-off company will be removed from the index after the close of its first day of regular way trading (with a divisor adjustment).

*For more information on Corporate Actions, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

## Monthly Dividend Review

Index constituents are reviewed on a monthly basis for ongoing eligibility. For more information regarding the monthly dividend review, please refer to Approach B in the Monthly Review for Ongoing Eligibility in Dividend Focused Indices section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

## Currency of Calculation and Additional Index Return Series

The index is calculated in U.S. dollars.

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 various index calculations, please refer to S&P Dow Jones Indices' Index 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.spdji.com](http://www.spdji.com).*

### Base Date and History Availability

Index history availability, base date, and base value are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P 500 High Dividend Index	09/21/2015	01/18/1991	01/18/1991	1000



# Index Data

## Calculation Return Types

S&P Dow Jones Indices calculates multiple return types which vary based on the treatment of regular cash dividends. The classification of regular cash dividends is determined by S&P Dow Jones Indices.

- Price Return (PR) versions are calculated without adjustments for regular cash dividends.
- Gross Total Return (TR) versions reinvest regular cash dividends at the close on the ex-date without consideration for withholding taxes.
- Net Total Return (NTR) versions, if available, reinvest regular cash dividends at the close on the ex-date after the deduction of applicable withholding taxes.

In the event there are no regular cash dividends on the ex-date, the daily performance of all three indices will be identical.

For a complete list of indices available, please refer to the daily index levels file (“.SDL”).

*For more information on the classification of regular versus special cash dividends as well as the tax rates used in the calculation of net return, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

*For more information on the calculation of return types, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.*

# Index Governance

## **Index Committee**

An S&P Dow Jones Indices' Index Committee maintains the index. All committee members are full-time professional members of S&P Dow Jones Indices' staff. The Committee meets regularly. At each meeting, the Index Committee may review pending corporate actions that may affect index constituents, statistics comparing the composition of the index to the market, companies that are being considered as candidates for addition to the index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts 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' Equity Indices Policies & Practices Methodology.*

# Index Policy

## **Announcements**

All index constituents are evaluated daily for data needed to calculate index levels and returns. All events affecting the daily index calculation are typically announced in advance via the Index Corporate Events report (.SDE), delivered daily to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients. All methodology changes are posted to the S&P Dow Jones Indices' Web site and announced via email to all clients. The latest available version is posted on the Web site at [www.spdji.com](http://www.spdji.com).

*For more information, please refer to the Announcements section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

## **Pro-forma Files**

In addition to the corporate events file (.SDE), S&P Dow Jones Indices provides constituent pro-forma files each time the index rebalances. The pro-forma file is typically provided daily in advance of the rebalancing date and contains all constituents and their corresponding weights and index shares effective for the upcoming rebalancing. Since index shares are assigned based on prices five business days prior to the rebalancing, the actual weight of each stock at the rebalancing differs from these weights due to market movements.

*Please visit [www.spdji.com](http://www.spdji.com) for a complete schedule of rebalancing timelines and pro-forma delivery times.*

## **Holiday Schedule**

The index is calculated daily, throughout the calendar year. The only days the index is not calculated are on days when all exchanges where the index's constituents are listed are officially closed.

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

## **Rebalancing**

The Index Committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

## **Unexpected Exchange Closures**

For information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

## **Recalculation Policy**

For information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

**Real-Time Calculation**

Real-time, intra-day, index calculations are executed for the index, whenever any of its primary exchanges are open. Real-time indices are not restated.

*For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

**Contact Information**

For 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.spdji.com](http://www.spdji.com), 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	Return Type	Bloomberg	RIC
S&P 500 High Dividend Index	Price Return	SPXHDUP	.SPXHDUP
	Total Return	SPXHDUT	.SPXHDUT
	Net Total Return	SPXHDUN	.SPXHDUN

## Index Data

Daily constituent and index level data are available via subscription.

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

## Web site

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

# Appendix I

## Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Monthly Dividend Review	02/19/2021	S&P Dow Jones Indices reviews index constituents on a monthly basis. If S&P Dow Jones Indices determines that an index constituent has eliminated or suspended its dividend, omitted a payment, or reduced its calendar year dividend amount and its new yield is significantly lower than the lowest yielding constituent and will no longer qualify for the index at the subsequent reconstitution, it will be removed from the index effective prior to the open of the first business day of the following month.	Index constituents are reviewed on a monthly basis for ongoing eligibility. For more information regarding the monthly dividend review, please refer to Approach B in the Monthly Review for Ongoing Eligibility in Dividend Focused Indices section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.
Monthly Dividend Review	04/19/2019	At the discretion of S&P Dow Jones Indices, a company may be immediately removed from the index, independently of the semi-annual rebalancing, under the following circumstances: <ul style="list-style-type: none"> <li>• The constituent company eliminates its dividend.</li> <li>• The constituent company lowers but does not eliminate its dividend, and its new yield is significantly lower than the lowest yielding constituent.</li> </ul>	S&P Dow Jones Indices reviews index constituents on a monthly basis. If S&P Dow Jones Indices determines that an index constituent has eliminated or suspended its dividend, omitted a payment, or reduced its calendar year dividend amount and its new yield is significantly lower than the lowest yielding constituent and will no longer qualify for the index at the subsequent reconstitution, it will be removed from the index effective prior to the open of the first business day of the following month and not replaced until the following reconstitution. Any changes are announced five business days prior to month-end. The determination of qualifying for the index at the subsequent reconstitution is at the discretion of the Index Committee. The decision to remove an index constituent due to dividend elimination, suspension, omission, or reduction is based on information publicly announced by the company as of seven business days prior to month-end.
Treatment of Spin-offs	09/30/2015	The price was adjusted to the Price of the Parent Company minus (the Price of the Spun-off Company/Share Exchange Ratio). When there was no market-determined price available for the spun-off company, it was added to the index at a price of zero at the close of the day before the ex-date. Once the	The spun-off company is added, at a zero price, at the market close of the day before the ex-date  In cases where the spin-off will not remain in the S&P 500, or the spin-off will remain in the S&P 500 but does not indicate it would be the highest-yielding

Change	Effective Date (After Close)	Previous	Methodology Updated
		<p>spun-off company traded, the company was dropped from the index.</p> <p>In cases where the spin-off was not added to the parent index (S&amp;P 500), or spin-off was added to the S&amp;P 500 but did not indicate it would be the highest-yielding of the resulting entities, the weight of the parent company did not change. The parent's index shares changed so that the company's weight remained the same as its weight before the spin-off.</p> <p>In cases where the spin-off was added to the S&amp;P 500 and the spun-off company indicated that it would be the highest-yielding of the resulting entities, the spun-off company was added to the index at the same index market capitalization as the parent and the parent was removed.</p>	<p>of the resulting entities, the spun-off company is then removed after at least one day of regular way trading and its weight is redistributed to the parent company.</p> <p>In cases where the spin-off will remain in the S&amp;P 500 and the company indicates that it will be the highest-yielding of the resulting entities, the parent is removed after at least one day of regular way trading and its weight is redistributed to the spun-off company.</p>

# Appendix II

## EU Required 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 Equity 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.

<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.



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