S&P Dow Jones Indices

A Division of S&P Global

# S&P/ASX 200 High Yield Select Index
## *Methodology*

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# Introduction

**Index Objective**

The S&P/ASX 200 High Yield Select Index measures the performance of 50 companies with high forecast-dividend-yield-to-realized-volatility ratios within the S&P/ASX 200 (the underlying index universe). The index selects constituents from a subset of high forecast dividend yielding companies in the index universe that satisfy certain forecast dividend yield, momentum, and trading history criteria. The index weights constituents by forecast dividend yield multiplied by float-adjusted market capitalization (FMC), subject to constraints capping single constituent and single GICS Sector weights.

*For more information on the S&P/ASX 200, please refer to S&P Dow Jones Indices' S&P/ASX Australian Indices Methodology, available at www.spglobal.com/spdji/.*

**Data Source**

S&P Capital IQ Estimates is the source of the 12-month forecast dividend yield dataset. S&P Capital IQ is part of S&P Global Market Intelligence.

*For more information on S&P Capital IQ Estimates, please refer here.*

**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 | Equity Indices Policies & Practices |
| S&P Dow Jones Indices' Index Mathematics Methodology | Index Mathematics Methodology |
| S&P Dow Jones Indices' Global Industry Classification Standard (GICS) Methodology | GICS Methodology |

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.

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# Eligibility Criteria and Index Construction

**Index Universe**

At each rebalancing, the index universe is all constituents of the S&P/ASX 200.

**Eligibility Factors**

At each rebalancing reference date, stocks in the index universe must satisfy the following to be eligible for index inclusion:

- **Dividend Yield:** have a positive, and maximum of 12%, 12-month forecast dividend yield.
- **A-REITs:** not be classified as part of the GICS Equity Real Estate Investment Trusts (REITs) Industry Group (Code: 6010) and Mortgage REITs Industry (Code: 402040).
- **Momentum:** not be ranked in the bottom 10% by momentum value. Calculate momentum values for all eligible constituents of the underlying index.

  *For more information momentum value calculation, please refer to the S&P Momentum Indices Methodology, available at www.spglobal.com/spdji/.*
- **Listing and Trading History**: have been issued and trading for at least 12 months as of the rebalancing reference date prior to index addition. However, there is no minimum number of days each stock must have traded.

**Constituent Selection**

At each rebalancing, the index selects 50 constituents from the eligible stocks in the index universe according to the following process:

1. Rank eligible stocks in descending order by 12-month forecast dividend yield, calculated as forecast dividend per share for the next 12 months divided by the stock price as of the rebalancing reference date.
2. Select the highest ranking 75 stocks, capping the number of stocks selected from each GICS Sector at 15, and subject to the selection buffer as follows:
   a. Select current constituents ranked within the top 100 in rank order, until the target stock count has been reached.
   b. If the target stock count is still not satisfied, select the highest ranking non-constituents from uncapped sectors in rank order until the target stock count is reached.
3. Using available price return data for the trailing one year leading up to each index rebalancing reference date, calculate the realized volatilities of the 75 selected highest yielding stocks. Realized volatility is defined as the standard deviation of the security's daily price returns over the prior one year.
4. Rank the 75 highest yielding stocks in descending order by 12-month forecast dividend yield over the realized volatility.
5. Select the highest ranking 50 stocks, subject to the selection buffer as follows:
   a. Select current constituents ranked within the top 60 in rank order, until the target stock count has been reached.
   b. If the target stock count is still not satisfied, select the highest ranking non-constituents in rank order until the target stock count is reached.

**Constituent Weightings**

At each rebalancing, the index weights constituents by forecast dividend yield times FMC, subject to the following constraints:

- Cap single constituent weights at 10% of the total index weight or five times the stock's weight in the index universe, whichever is smaller.
- Cap single GICS Sector weights at the sector's weight in the index universe, with a given sector's weight allowed to be up to an additional 10% of the total index weight before the cap is applied.

Stock weights calculate using an optimization procedure that selects final weights in such a way as to minimize the sum of the squared differences of capped weight and uncapped weight, divided by uncapped weight for each stock, subject to the stock and sector constraints.

**Index Calculations**

The index calculates 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 S&P Dow Jones Indices' Index Mathematics Methodology.*

# Index Maintenance

**Rebalancing**

The index rebalances semiannually, effective after the close of the last business day of January and July using rebalancing reference dates as of the last business days of December and June, respectively. Index shares are assigned based on the price reference date of seven business days prior to the rebalancing effective date.

**Monthly Dividend Review**

The index reviews constituents monthly for ongoing eligibility. For more information regarding the monthly dividend review, please refer to Approach C in the Monthly Review for Ongoing Eligibility in Dividend Focused Indices section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

**Dividend Payment Types**

S&P Dow Jones Indices only considers cash dividend payments (based on ex-date) declared as regular by the paying company for index eligibility, selection, and weighting purposes. Cash dividend payments declared as special by the paying company, including recurring special cash dividends, are not considered. For both eligibility and weighting purposes, annualized cash dividend amounts, before withholding tax, are used. Annualized declared dividends of Australian companies do not reflect franking credits.

S&P Dow Jones Indices will continue to monitor all stocks in the universe on a best effort basis up until the initial announcement of the rebalancing results. If a company has announced a change to its dividend policy any time prior to the rebalancing results announcement and would no longer qualify for the index then S&P Dow Jones Indices may, at its discretion, exclude the company in conjunction with the rebalancing.

**Additions and Deletions**

**Additions.** Except for spin-offs, no additions are made to the index between rebalancings.

**Spin-offs.** A spin-off is added to all the indices of which the parent company is a constituent, at a zero price at the market close of the day before the ex-date (with no divisor adjustment). The spin-off is then removed after at least one day of regular way trading (with a divisor adjustment).

**Deletions.** Constituents removed from the underlying index are removed from the index simultaneously. Other deletions may occur during the rebalancing reviews.

**GICS Reclassifications.** Constituents no longer classified in an eligible GICS remain in the index until the subsequent rebalancing.

**Corporate Actions**

Excluding additions, all corporate actions and treatments are the same as the underlying index.

*For more information on Corporate Actions, please refer to the Non-Market Capitalization Indices section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.*

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

The index calculates in various currencies, for more information refer to *Index Dissemination*.

In addition to the indices detailed in this methodology, additional return series versions of the indices may be available, including, but not limited to the following: 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.spglobal.com/spdji/.*

**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/ASX 200 High Yield Select Index | 10/08/2024 | 07/29/2011 | 07/29/2011 | 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 Index Committee maintains the index. 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.

*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 as well as their corresponding weights and index shares effective for the upcoming rebalancing. Since index shares are assigned based on the prices prior to the rebalancing effective date, the actual weight of each stock at the rebalancing differs from the target weights due to market movements.

*Please visit www.spglobal.com/spdji/ for a complete schedule of rebalancing timelines and pro-forma delivery times.*

**Holiday Schedule**

The index calculates daily, throughout the calendar year. The only days the index does not calculate 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.spglobal.com/spdji/.*

**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.

**Contact Information**

For questions regarding an index, please contact: index_services@spglobal.com.

# Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at *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 | Return Type | BBG |
|---|---|---|
| S&P/ASX 200 High Yield Select Index (AUD) | Price Return<br>Total Return<br>Net Total Return | SPATHYAP<br>SPATHYAT<br>SPATHYAN |

**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.*

**Web site**

*For further information, please refer to S&P Dow Jones Indices' Web site at www.spglobal.com/spdji/.*

# Appendix A

**ESG Disclosures**

| EXPLANATION OF HOW ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY[1] | | |
|---|---|---|
| **1.** | **Name of the benchmark administrator.** | S&P Dow Jones Indices LLC. |
| **2.** | **Underlying asset class of the ESG benchmark.[2]** | N/A |
| **3.** | **Name of the S&P Dow Jones Indices benchmark or family of benchmarks.** | S&P DJI Equity Indices Benchmark Statement |
| **4.** | **Do any of the indices maintained by this methodology take into account ESG factors?** | No |
| **Appendix latest update:** | | October 2024 |
| **Appendix first publication:** | | October 2024 |

[1] 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].

[2] 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 indictors (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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