

STANDARD
& POOR'S

S&P EQUAL WEIGHT INDEX

INDEX METHODOLOGY

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Introduction

The S&P 500[®] is one of the most world-renowned indices. The index is a capitalization-weighted benchmark of the large cap U.S. equity market. There are benchmarking, investing and trading situations, however, that require an equally weighted version of the index.

In response to the market's need for an official equally weighted version of the S&P 500, Standard & Poor's has created the S&P Equal Weight Index (S&P EWI). The index is the equal-weight version of the widely regarded S&P 500. The index has the same constituents as the capitalization weighted S&P 500, but each company in the index is allocated a fixed weight of 0.20% at each quarterly rebalancing.

The S&P EWI provides an opportunity to invest in the performance of these 500 leading companies in equal measure and make size, style, and sector bets relative to the S&P 500.

Highlights

The S&P EWI is designed to track the equally weighted performance of the 500 constituents in the S&P 500. For this, each stock should have a weight of 20 basis points in the index. But as stock prices move in different directions, the weightings in the index will change. A frequent rebalancing of the weights to 20 basis points will obviously result in greater market capitalization turnover, and excessive turnover can damage the index as an investment vehicle. Therefore, the rebalancing frequency has to achieve a balance between representation and investability. To meet this balance, Standard & Poor's has chosen a quarterly rebalancing cycle for the S&P EWI.

The S&P EWI has the following features:

- Official index calculation and dissemination by Standard & Poor's.
- Index calculation according to the divisor-based methodology of the S&P 500.
- Constituent changes incorporated in the index as, and when, they are incorporated in the S&P 500.
- The quarterly rebalancing process balances representation and investability, while providing additional benefits, such as coinciding with the S&P 500 quarterly share adjustments.
- The quarterly rebalancings also coincide with derivative contract cycles and result in the index giving an arithmetic average return of S&P 500 stocks between two rebalancing periods. This facilitates the creation of derivatives and structured products around the index.

Eligibility Criteria

Index Eligibility

The S&P Equal Weight Index is based on the S&P 500. All index constituents are members of the S&P 500 and follow the eligibility criteria for that index.

The S&P EWI is maintained in accordance with the index methodology of the S&P 500, which measures 500 leading companies in leading U.S. industries. The S&P EWI measures the performance of the same 500 companies, in equal weights. As such, sector exposures in the S&P EWI will differ.

Please refer to the S&P U.S. Indices methodology document for Eligibility Criteria for the S&P Equal Weight Index.

Sector Classification. Stocks are classified by the Global Industry Classification Standard (GICS[®]). Standard & Poor's global indices provide geographic and economic balance across the 10 GICS Sectors. These Sectors, consistent across all Standard & Poor's indices, are Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunication Services and Utilities.

Index Construction

Approaches

The index series is equal-weighted and calculated by the divisor methodology used in all Standard & Poor's equity indices.

Index Calculations

The initial divisor is set to have a base index value of 353.4 on Dec 29, 1989. The index value is simply the index market value divided by the index divisor:

$$\text{Index Value} = \text{Index Market Value} / \text{Divisor} \quad (1)$$

For more information on the index calculation methodology, please refer to the Equal Weighted Indices section of Standard & Poor's Index Mathematics methodology.

In order to maintain index series continuity, it is also necessary to adjust the divisor at each rebalancing.

$$(\text{Index Value})_{\text{before rebalancing}} = (\text{Index Value})_{\text{after rebalancing}} \quad (2)$$

Therefore,

$$(\text{Divisor})_{\text{after rebalancing}} = \frac{(\text{Index Market Value})_{\text{after rebalancing}}}{(\text{Index Value})_{\text{before rebalancing}}} \quad (3)$$

Index Maintenance

Rebalancing

Rebalancings occur after the closing on the third Friday of the quarter ending month. The goal of the index is to maintain a portfolio of 500 equally weighted stocks, while keeping index turnover to a minimum. Index additions and deletions coincide with the S&P 500. Each constituent in the S&P EWI is assigned a weight of 0.20% at each rebalancing. For any sub-index derived from the S&P EWI, such as the S&P Equal Weight Sector Indices, this means that each constituent is also assigned equal weights.

As the stock prices move, the weightings in the index will change. A more frequent rebalancing will result in higher index turnover; and less frequent will result in significant deviations from the equal weights. The S&P EWI is rebalanced quarterly to coincide with the quarterly share adjustments of the S&P 500.

When a company is added to the index in the middle of the quarter, it takes the weight of the company that it replaced. The one exception is when a stock is removed from an index at a price of \$0.00. In such a case, the stock's replacement will be added to the index at the weight using the previous day's closing value, or the most immediate prior business day that the deleted stock was not valued at \$0.00.

GICS Reclassifications

An S&P 500 index constituent may move from one GICS sub-index to another when a GICS reclassification is made. For any S&P EWI sub-indices based on GICS, the stock will be deleted from the relevant GICS sub-index and added to the other at the time this reclassification occurs for the parent S&P 500 index.

For the S&P EWI, the reclassified company maintains its original weight before reclassification and is simply shifted to the new sub-index. For any S&P EWI Sector indices, the company will maintain its modified index shares if it is moved to a new Sector index upon reclassification. This will result in a divisor adjustment to both the Sector index the company is leaving and the Sector index the company is joining. At rebalancing, all constituents of all sectors get equal weights of 0.20%.

Base Date

The indices base date is December 29, 1989. The base value, for both the price return and total return series, on that date is 353.4, which is the value of the S&P 500 price return series on that day.

Historical daily returns are available beginning on December 29, 1989.

Index Actions

S&P 500 Action	Adjustment made to the index	Divisor adjustment?
Constituent change	<p>New constituent replaces the dropped stock in the EWI with the same weight.</p> <p>For equal and modified market cap weighted indices, when a stock is removed from an index at a price of \$0.00, the stock's replacement will be added to the index at the weight using the previous day's closing value, or the most immediate prior business day that the deleted stock was not valued at \$0.00.</p>	<p>No, except in the case of stocks removed at \$0.00</p> <p>S&P EWI Sector indices may have divisor changes.</p>
Constituent change – deletion only to GICS sub-index	The weights of all stocks in the index will change, due to the absolute change in the number of index constituents. Relative weights will stay the same.	Yes
Constituent change – addition only to GICS sub-index	The weights of all stocks in the index will change, due to the absolute change in the number of index constituents. The stock being added will enter the sector index at the modified market capitalization of the company being replaced in the S&P 500 EWI. Relative weights of the sector constituents preceding the addition will stay the same.	Yes
Share changes between quarterly share adjustments	None.	No
Quarterly share changes	There is no direct adjustment, however, on the same date the index rebalancing will take place.	Only because of the index rebalancing.
GICS change	Only for GICS sub-indices.	Yes, for GICS sub-indices.

Corporate Actions

Corporate Action	Adjustment made to the index	Divisor adjustment?
Spin-off	No weight change. The price is adjusted to Price of Parent Company minus (Price of Spin-off company/Share Exchange Ratio). Index Shares change so that the company's weight remains the same as its weight before the spin-off.	No
Rights Offering	The price is adjusted to Price of Parent Company minus (Price of Rights Offering/Rights Ratio). Index Shares change so that the company's weight remains the same as its weight before the spin-off.	No
Stock Split	Index Shares are multiplied by and price is divided by the split factor.	No
Share Issuance or Share Repurchase	None.	No
Special Dividends	Price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.	Yes

Index Data

Total Return and Net Return Indices

Each index will have a total return counterpart, which assumes dividends are reinvested in the index after the close on the ex-date. On any given date t :

$$\text{Total Return Multiplier}_t = \frac{[\text{Index Value}_t + \text{Index Dividend Points}_t]}{\text{Index Value}_{t-1}} \quad (4)$$

$$\text{Total Return Index Value}_t = (\text{Total Return Index Value}_{t-1}) * (\text{Total Return Multiplier}_t) \quad (5)$$

$$\text{Index Dividend Points}_t = \sum_{i=1}^N (\text{Index Shares})_{i,t} * (\text{Ex - dividends})_{i,t} / \text{Index Divisor}_t \quad (6)$$

Index Governance

Index Committee

The U.S. Index Committee maintains Standard & Poor's U.S. indices. There are eight members of the committee; all are full-time professional members of Standard & Poor's staff. The committee meets monthly. At each meeting, the committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an 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.

Standard & Poor's considers information about changes to its U.S. indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

Index Policy

Announcements

Announcements of additions and deletions for the S&P U.S. Indices are made at 05:15 PM Eastern Time.

Holiday Schedule

The S&P Equal Weight Index is calculated when the U.S. equity markets are open.

A complete holiday schedule for the year is available on Standard & Poor's Web site at www.indices.standardandpoors.com.

Unscheduled Market Closures

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, Standard & Poor's will calculate the closing price of the indices based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each stock before the exchange closed. In all cases, the prices will be from the primary exchange for each stock in the index. If an exchange fails to open due to unforeseen circumstances, the index will use the prior day's closing prices. If all exchanges fail to open, Standard & Poor's may determine not to publish the index for that day.

Index Dissemination

Index Alert

Complete data for index replication (including share counts, tickers and data on index levels and returns) are available through Standard & Poor's fee-based service, S&P Index Alert.

Tickers

Index	Bloomberg	Reuters
S&P Equal Weight Index (EWI)	SPXEW	.SPXEW
S&P EWI Consumer Discretionary	S25	.SPXEW25
S&P EWI Consumer Staples	S30	.SPXEW30
S&P EWI Energy	S10	.SPXEW10
S&P EWI Financials	S40	.SPXEW40
S&P EWI Health Care	S35	.SPXEW35
S&P EWI Industrials	S20	.SPXEW20
S&P EWI Information Technology	S45	.SPXEW45
S&P EWI Materials	S15	.SPXEW15
S&P EWI Telecommunication Services	S50	.SPXEW50
S&P EWI Utilities	S55	.SPXEW55

FTP

Daily stock level and index data is available via FTP on subscription.

For further information, please refer to Standard & Poor's Web site at www.indices.standardandpoors.com.

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