

**S&P Dow Jones  
Indices**

A Division of **S&P Global**

# **S&P International Preferred Stock Index *Methodology***

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# Table of Contents

Introduction	3
<b>Index Objective</b>	<b>3</b>
<b>Supporting Documents</b>	<b>3</b>
Eligibility Criteria	4
<b>Eligibility Factors</b>	<b>4</b>
Index Construction	5
<b>Constituent Selection</b>	<b>5</b>
<b>Constituent Weightings</b>	<b>5</b>
<b>Index Calculations</b>	<b>5</b>
Index Maintenance	6
<b>Rebalancing</b>	<b>6</b>
<b>Corporate Actions</b>	<b>6</b>
<b>Currency, Currency Hedged, and Risk Control Indices</b>	<b>7</b>
<b>Base Date and History Availability</b>	<b>7</b>
Index Data	8
<b>Calculation Return Types</b>	<b>8</b>
Index Governance	9
<b>Index Committee</b>	<b>9</b>
Index Policy	10
<b>Announcements</b>	<b>10</b>
<b>Pro-forma Files</b>	<b>10</b>
<b>Holiday Schedule</b>	<b>10</b>
<b>Rebalancing</b>	<b>10</b>
<b>Unexpected Exchange Closures</b>	<b>10</b>
<b>Recalculation Policy</b>	<b>10</b>
<b>Contact Information</b>	<b>10</b>
Index Dissemination	11
<b>Tickers</b>	<b>11</b>
<b>FTP</b>	<b>11</b>
<b>Web site</b>	<b>11</b>
Appendix	12
<b>Methodology Changes</b>	<b>12</b>



# Introduction

## Index Objective

The S&P International Preferred Stock Index measures the performance of preferred stocks in developed markets outside the U.S. that meet specific criteria for minimum size, liquidity, exchange listing, time to maturity and issue type.

## 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

The index is comprised of non-U.S. traded, developed-market preferred stocks that meet criteria relating to minimum size, liquidity, exchange listing, time-to-maturity, and issue type.

## Eligibility Factors

Preferred stocks must meet the following criteria in order to be eligible for index inclusion:

**Exchange Listing.** Preferred stocks must trade on non-U.S. developed market exchanges, as defined by S&P Dow Jones Indices. Emerging market issues and listings are ineligible.

**Type of Issuance.** Preferred stocks issued by a company to meet its capital or financing requirements are eligible. These include floating and fixed rate preferreds, cumulative and non-cumulative preferreds, and preferred stocks with a callable or conversion feature. However, the following are ineligible for index inclusion:

- Structured products and brand name products issued by financial institutions that are packaged securities linked to indices, baskets of stocks or another company's stock.
- Preferred-like securities from special ventures such as toll roads or dam operators.
- Trust preferred issues.

**Maturity or Conversion Schedule.** Non-constituent preferred stocks must not have a mandatory conversion or scheduled maturity within the next 12 months in order to be included.

**Market Capitalization.** Non-constituent preferred stocks must have a full market capitalization of at least US\$ 125 million. Current constituents with full market capitalization of at least US\$ 100 million remain eligible for continued index inclusion.

**Volume.** A trading volume of at least 250,000 shares per month for the previous six months is required. Issues with fewer than six months of trading history are evaluated over the available period and may be included should size and available trading history infer the issue satisfies this requirement. Current constituents remain eligible for index inclusion if their trading volume is at least 100,000 shares per month on average over the previous six months. No issue is removed from the index solely for the violation of this requirement for 12 months following its addition effective date.

**Indicated Yield.** Indicated annual dividend yield must be between 1% and 20%.

# Index Construction

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

Preferred stocks that meet the eligibility factors detailed in *Eligibility Criteria* are selected and form the index.

S&P Dow Jones Indices believes turnover in index membership should be avoided when possible. At times a company may appear to temporarily violate one or more of the addition criteria. However, the addition criteria are for additions to an index, not for continued membership. As a result, an index constituent that appears to violate criteria for addition to that index will not be deleted unless ongoing conditions warrant an index change.

## Constituent Weightings

The index employs a modified market capitalization weighting scheme. There are no limits on the number of lines of a single company's preferred stock. However, at each rebalancing, a maximum weight of 10% is set per issuer with an individual stock cap of 4%.

## Index Calculations

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

*For more information on the index calculation methodology, please refer to the Modified Market Capitalization Weighted Indices section of S&P Dow Jones Indices' Index Mathematics Methodology.*

# Index Maintenance

## Rebalancing

The index is rebalanced quarterly, effective prior to the open of trading on the Monday following the third Friday of January, April, July, and October. The reference date for additions to and deletions from the index is five business days prior to the first Friday of the rebalancing month. Index shares are set using closing prices as of the trading date 12 business days prior to the rebalancing effective date.

Share changes for existing index constituents are implemented as part of the January and July index rebalancings.

**Additions.** Additions occur only at the quarterly rebalancings. There are no intra-quarter additions.

**Deletions.** A constituent is deleted intra-quarter if it is called or undergoes mandatory conversion or redemption.

## Corporate Actions

Corporate Action	Adjustment Made to the Index	Divisor Adjustment?
Shares called for cash or par value	If the issuer calls a constituent, it is removed from the index with five-day notice at the closing price of the date at which it is dropped. Note that the issuer may choose not to call, in which case no change is necessary.	Yes
Shares called for conversion or automatically converted	The constituent is removed from the index with five days' notice at the closing price of the date at which it is dropped. If the issuer chooses not to invoke the right to convert and conversion is not automatic, no change is necessary.	Yes
Delisting from primary exchange	The constituent is removed at the closing price of the delisting date (occasionally, a constituent may be removed at zero price).	Yes
Special cash distribution	The price of the stock making the special payment is reduced by the per share special payment amount after the close of trading on the day before the ex-date.	Yes
Rights offering on preferred share class	The price is adjusted to the Price of Parent shares minus (Price of Rights shares/Rights Ratio).	Yes
Preferred stock split	Index Shares are multiplied by and the price is divided by the split factor.	No
Partial call for cash or par value	On the redemption date, the constituent shares outstanding are reduced by the number of shares called and the constituent price is adjusted to the call price plus accrued interest.	Yes
Issuance of additional shares for the preferred share class in the index	None. Shares are revised semi-annually.	No

## Currency, Currency Hedged, and Risk Control Indices

The index is calculated in U.S. dollars.

Real-time spot exchange rates are provided by Reuters to convert the local market prices to U.S. dollars.

Additional currency, currency hedged, and risk control versions of the indices may be available. For a list of available currency, currency hedged, and risk control indices, please contact Client Services at [index\\_services@spglobal.com](mailto:index_services@spglobal.com).

*For more information on currency, currency hedged, and risk control indices, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.*

## 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 International Preferred Stock Index	08/23/2010	08/31/2009	08/31/2009	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

S&P Dow Jones Indices' Global Thematic & Strategy Index Committee maintains the index. All Committee members are full-time professional members of S&P Dow Jones Indices' staff. The Index 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 document.*

# 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 via ftp to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients.

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

## 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 beginning ten business days in advance of the rebalancing date and contains all constituents and their corresponding weights and index shares effective for the upcoming rebalancing.

*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 on S&P Dow Jones Indices' Web site 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 document.

## Recalculation Policy

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

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

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 currency, currency hedged, risk control, and return type versions of the below indices that may exist are also covered by this document. Please contact [index\\_services@spglobal.com](mailto:index_services@spglobal.com) for a complete list of indices covered by this document.

Index	Return Type	Bloomberg
S&P International Preferred Stock Index	Price Return	SPPRIUP
	Total Return	SPPRIUT
	Net Total Return	SPPRIUN

## FTP

Daily constituent and index level data are available via FTP 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

## Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Eligibility Criteria: Market Capitalization	07/21/2017	Preferred stocks must have a full market capitalization of at least US\$ 100 million. Current constituents with full market capitalization of at least US\$ 75 million remain eligible for continued index inclusion.	Preferred stocks must have a full market capitalization of at least US\$ 125 million. Current constituents with full market capitalization of at least US\$ 100 million remain eligible for continued index inclusion.
Exclusion Criteria: Market Capitalization	04/15/2016	Preferred stocks with total market capitalization of less than US\$ 100 million, as of the rebalancing reference date, are excluded from the index.	Preferred stocks with total market capitalization of less than US\$ 75 million, as of the rebalancing reference date, are excluded from the index.

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